DOCUMENT RESUME

ED 065 044 HE 003 174

AUTHOR Netzer, Dick; And Others
TITLE The Report of the New York University Task Force on the Financial Emergency.
INSTITUTION New York Univ., N.Y.
PUB DATE 19 May 72
NOTE 40p.

EDRS PRICE MF-$0.65 HC-$3.29
DESCRIPTORS Budgeting; Educational Economics; *Educational Finance; *Educational Planning; *Financial Problems; *Financial Support; *Higher Education

ABSTRACT

New York University is in deep financial trouble as are other higher education institutions in the country. This was evident in 1969 when federal funds were cut, operating expenses were inflated, and student enrollment declined. In February of 1972 the president of the University appointed a task force to study the problems and alternatives of the institution. This document presents the findings of that task force and presents a plan for financial solvency that must be implemented immediately in order to be effective. The plan takes into account improving the financial performance of the individual academic units, reductions in the cost of central services, prospects for additional income, and the rules, structures, and procedures for implementing the plan. (HS)

ED 065044

The Report of the New York University Task Force on the Financial Emergency

May 19, 1972

ancial Emergency

19, 1972

U.S. DEPARTMENT OF HEALTH,
EDUCATION & WELFARE
OFFICE OF EDUCATION
THIS DOCUMENT HAS BEEN REPRODUCED EXACTLY AS RECEIVED FROM THE PERSON OR ORGANIZATION ORIGINATING IT. POINTS OF VIEW OR OPINIONS STATED DO NOT NECESSARILY REPRESENT OFFICIAL OFFICE OF EDUCATION POSITION OR POLICY.

Members of the Task Force

Dick Netzer, Dean of the Graduate School of Public Administration, Chairman

Lester I. Brookner, Vice Chancellor for Administration

Abraham L. Gitlow, Dean of the College of Business and Public Administration

Daniel E. Griffiths, Dean of the School of Education

Robert B. McKay, Dean of the School of Law

R. Bayly Winder, Dean of the Faculty of Arts and Science at Washington Square

The Report of the New York University Task Force on the Financial Emergency

May 19, 1972

President Hester's Statement on the Background of the Task Force Report

In February I appointed a Task Force to determine how to reduce our operating deficits substantially. The possible purchase of the Heights campus had then been announced by Governor Rockefeller, but it was clear that this alone would not solve our budgetary problems.

The report that follows presents the findings and recommendations of the Task Force and is an impressive and sobering document that will come as a shock to many people. It has been hard to accept the fact that an institution serving such useful purposes could fail to secure the financial resources it needs. For that reason, in addition to controlling expenses, we have sought large-scale assistance where it seemed logical to obtain it: in Albany and in Washington. But after much effort, federal support is still uncertain, and the state's ability to help us significantly is apparently limited to the possible purchase of the Heights campus.

The financial crisis developed rapidly over the last two and a half years. The University first felt the full impact of sub-

Preface

Within the next few weeks, New Yo University must choose which of t precedents it will shatter: it can choo to be the victim of the largest and mo spectacular financial collapse in the hi tory of American higher education, or can choose to surmount, by its own resolu actions, the most difficult financial cris any university has faced and survived.

The charge to the Task Force was produce a plan under which the Unive sity can regain, and retain, financi viability by 1974-75, in the face of larg current deficits and the virtual exhaustio of the University's unrestricted capita The plan laid out in this report is no an easy way out, but it does provide fo the continuation of New York Universit as a major high-quality educational ins titution. It offers the opportunity for fresh start: an institution restructure and reformed to meet the changed cir cumstances of the 1970's and to provid those educational opportunities for whic New York University is especially wel suited by its location, resources and his tory. We believe that the University com munity will choose survival and a new start.

The Task Force report is cast in dolla terms. We are well aware that there i more to education than money: intellectua direction, conviction, imagination and col legiality are other vital inputs. But money if not a sufficient condition for high quality education, is a necessary condition and the one input now in short supply at New York University. If the financia difficulties can be resolved, the Univer sity's human resources are more than equal to the intellectual challenges of th

President Hester's Statement on the Background of the Task Force Report

In February I appointed a Task Force to determine how to reduce our operating deficits substantially. The possible purchase of the Heights campus had then been announced by Governor Rockefeller, but it was clear that this alone would not solve our budgetary problems.

The report that follows presents the findings and recommendations of the Task Force and is an impressive and sobering document that will come as a shock to many people. It has been hard to accept the fact that an institution serving such useful purposes could fail to secure the financial resources it needs. For that reason, in addition to controlling expenses, we have sought large-scale assistance where it seemed logical to obtain it: in Albany and in Washington. But after much effort, federal support is still uncertain, and the state's ability to help us significantly is apparently limited to the possible purchase of the Heights campus.

The financial crisis developed rapidly over the last two and a half years. The University first felt the full impact of cuts in federal support, inflated costs of operation, and the decline in undergraduate enrollment in the fall of 1969. At that point the Commission on Effective Use of Resources was appointed to find ways to cut anticipated deficits. The Commission succeeded in reducing a projected $9 million deficit for last year to $6,800,000. At the same time we intensified our student recruitment program and pressed hard in Albany for an increase in the Bundy formula and for categorical support for high-cost areas such as medicine, dentistry, and engineering. Simultaneously we were trying to convince Congress to inaugurate direct institutional support.

Just a year ago, in the spring of 1971, we had grounds for hope for increased state support and significant federal institutional aid. Severe budget problems in Albany and complex conditions in Washington dashed those hopes. Last May I explained our impending crisis to the State Commissioner of Education and told him that I believed New York University warranted special assistance. The final result, after extensive efforts by the Governor and legislative leaders, was the recent legislation authorizing the purchase of the Heights campus.

In February, as soon as we knew what form state assistance might take, the Task Force was appointed to address our remaining problems. It was clear that the sale of the Heights campus would, at best, provide turnaround time during which, through extremely difficult actions, the University could reorganize its economy. The Task Force Report provides guidelines for that reorganization. We must consider it with the greatest seriousness.

James M. Hester

The charge to the Task Force was produce a plan under which the Unive sity can regain, and retain, financi viability by 1974-75, in the face of lar current deficits and the virtual exhaustio of the University's unrestricted capita The plan laid out in this report is n an easy way out, but it does provide f the continuation of New York Universi as a major high-quality educational in titution. It offers the opportunity for fresh start: an institution restructure and reformed to meet the changed ci cumstances of the 1970's and to provi those educational opportunities for whi New York University is especially we suited by its location, resources and hi tory. We believe that the University com munity will choose survival and a ne start.

The Task Force report is cast in dolla terms. We are well aware that there more to education than money: intellectu direction, conviction, imagination and co legiality are other vital inputs. But mone if not a sufficient condition for hig quality education, is a necessary conditio and the one input now in short supp at New York University. If the financia difficulties can be resolved, the Univer sity's human resources are more tha equal to the intellectual challenges of th 1970's.

The time pressures under which th final draft of this report was prepare may have made it, in some places, awk ward in expression; for this we apologize

This is a unanimous report.

I. A PLAN FOR FINANCIAL SOLVENCY

The Task Force plan for financia solvency has three basic elements. First we have developed financial targets fo 1974-75 for the individual academic an nonacademic units; the achievement o some of these targets will require sever reductions in expenditure. This repor deals mainly with this element of th overall plan. Second, we propose rule and procedures to ensure that (a) th targets are in fact met and (b) the Uni versity continues to operate solventl after 1974-75. Third, we have examine the possibilities for increasing income b new educational departures, differentia tuition arrangements and other innova tions.

Prudent planning dictates that we no pin our hopes on these possibilities fo generating additional income. We treat them as a means — to the extent the added income is realized—to abate the severity of the required retrenchment and to permit growth and enrichment of educational programs in the future. Nor do we plan for fiscal salvation through increased external funding, Federal, State or foundation. The events of the past year or so, especially the last few weeks, clearly show that no one in the world outside is at hand waiting to save us; to the extent that even partial external fiscal salvation is offered, the cost may be entirely too high.

This, then, is a plan based on *our own* efforts. Again, to the extent that more outside help—State vouchers for addition-

ort of the New York
y Task Force on the
Emergency

972

Hester's Statement on the
d of the Task Force Report

nted a Task Force to determine how to reduce our antially. The possible purchase of the Heights nounced by Governor Rockefeller, but it was clear t solve our budgetary problems.

ws presents the findings and recommendations of impressive and sobering document that will come e. It has been hard to accept the fact that an in- eful purposes could fail to secure the financial re- t reason, in addition to controlling expenses, we ssistance where it seemed logical to obtain it: in n. But after much effort, federal support is still s ability to help us significantly is apparently rchase of the Heights campus.

leveloped rapidly over the last two and a half t felt the full impact of cuts in federal support, and the decline in

Preface

Within the next few weeks, New York University must choose which of two precedents it will shatter: it can choose to be the victim of the largest and most spectacular financial collapse in the history of American higher education, or it can choose to surmount, by its own resolute actions, the most difficult financial crisis any university has faced and survived.

The charge to the Task Force was to produce a plan under which the University can regain, and retain, financial viability by 1974-75, in the face of large current deficits and the virtual exhaustion of the University's unrestricted capital. The plan laid out in this report is not an easy way out, but it does provide for the continuation of New York University as a major high-quality educational institution. It offers the opportunity for a fresh start: an institution restructured and reformed to meet the changed circumstances of the 1970's and to provide those educational opportunities for which New York University is especially well suited by its location, resources and history. We believe that the University community will choose survival and a new start.

The Task Force report is cast in dollar terms. We are well aware that there is more to education than money: intellectual direction, conviction, imagination and collegiality are other vital inputs. But money, if not a sufficient condition for high-quality education, is a necessary condition, and the one input now in short supply at New York University. If the financial difficulties can be resolved, the University's human resources are more than equal to the intellectual challenges of the 1970's.

al undergraduate students, contract ar rangements with the City University Federal institutional or categorical aid etc.—is forthcoming, it can abate th severity of the cutbacks and preserv more of our academic programs and staff. But we can no longer count on this and we therefore present a plan that does reduce the scope of academic programs offered by the University in some cases.

The Nature of the University's Finances

An understanding of the specific proposals of the Task Force requires some comprehension of the nature of the University's budget. The University's total current expenditures in 1970-71 were $216 million, but much of this expenditure has no bearing on the University deficit, since the expenditure is from restricted funds, the income of which can be used only for specified purposes, with income equal to expenditure.*

We can view the University's finances as having three major components. The first includes the financial operations of the Medical Center which are separately treated in the University's financial reporting for a variety of reasons, the chief one of which is that the Medical Center's finances are dominated by the operation of the hospitals and closely related sponsored research activities and contract services; together, they account for more than three-fourths of Medical Center expenditure. The University exclusive of the Medical Center (and the Law Center Foundation) had current expenditures of $122 million in 1970-71. Expenditure from restricted funds amounted to nearly $26 million, the great bulk of it for sponsored research and training activities. The third major component, expenditure from general University funds (exclusive of the Medical Center) thus amounted to $96 million.

The Task Force has focused its attention on this component of the University's finances. But even within this component, there are some major "wash" items, where

Hester's Statement on the nd of the Task Force Report

ointed a Task Force to determine how to reduce our stantially. The possible purchase of the Heights announced by Governor Rockefeller, but it was clear not solve our budgetary problems.

llows presents the findings and recommendations of an impressive and sobering document that will come ople. It has been hard to accept the fact that an inuseful purposes could fail to secure the financial rehat reason, in addition to controlling expenses, we assistance where it seemed logical to obtain it: in gton. But after much effort, federal support is still te's ability to help us significantly is apparently purchase of the Heights campus.

s developed rapidly over the last two and a half first felt the full impact of cuts in federal support, ion, and the decline in undergraduate enrollment in at point the Commission on Effective Use of Re- to find ways to cut anticipated deficits. The Comducing a projected $9 million deficit for last year to e time we intensified our student recruitment proin Albany for an increase in the Bundy formula and for high-cost areas such as medicine, dentistry, and ously we were trying to convince Congress to inaunal support.

the spring of 1971, we had grounds for hope for t and significant federal institutional aid. Severe any and complex conditions in Washington dashed I explained our impending crisis to the State Com- and told him that I believed New York University tance. The final result, after extensive efforts by ative leaders, was the recent legislation authorizing ights campus.

on as we knew what form state assistance might as appointed to address our remaining problems. It f the Heights campus would, at best, provide turnch, through extremely difficult actions, the Univers economy. The Task Force Report provides guideization. We must consider it with the greatest

James M. Hester

The charge to the Task Force was to produce a plan under which the University can regain, and retain, financial viability by 1974-75, in the face of large current deficits and the virtual exhaustion of the University's unrestricted capital. The plan laid out in this report is not an easy way out, but it does provide for the continuation of New York University as a major high-quality educational institution. It offers the opportunity for a fresh start: an institution restructured and reformed to meet the changed circumstances of the 1970's and to provide those educational opportunities for which New York University is especially well suited by its location, resources and history. We believe that the University community will choose survival and a new start.

The Task Force report is cast in dollar terms. We are well aware that there is more to education than money: intellectual direction, conviction, imagination and collegiality are other vital inputs. But money, if not a sufficient condition for high-quality education, is a necessary condition, and the one input now in short supply at New York University. If the financial difficulties can be resolved, the University's human resources are more than equal to the intellectual challenges of the 1970's.

The time pressures under which the final draft of this report was prepared may have made it, in some places, awkward in expression; for this we apologize.

This is a unanimous report.

I. A PLAN FOR FINANCIAL SOLVENCY

The Task Force plan for financial solvency has three basic elements. First, we have developed financial targets for 1974-75 for the individual academic and nonacademic units; the achievement of some of these targets will require severe reductions in expenditure. This report deals mainly with this element of the overall plan. Second, we propose rules and procedures to ensure that (a) the targets are in fact met and (b) the University continues to operate solvently after 1974-75. Third, we have examined the possibilities for increasing income by new educational departures, differential tuition arrangements and other innovations.

Prudent planning dictates that we not pin our hopes on these possibilities for generating additional income. We treat them as a means — to the extent the added income is realized—to abate the severity of the required retrenchment and to permit growth and enrichment of educational programs in the future. Nor do we plan for fiscal salvation through increased external funding, Federal, State or foundation. The events of the past year or so, especially the last few weeks, clearly show that no one in the world outside is at hand waiting to save us; to the extent that even partial external fiscal salvation is offered, the cost may be entirely too high.

This, then, is a plan based on *our own* efforts. Again, to the extent that more outside help—State vouchers for additionno bearing on the University deficit, sinc the expenditure is from restricted funds the income of which can be used only fo specified purposes, with income equal t expenditure.*

We can view the University's finance as having three major components. Th first includes the financial operations o the Medical Center which are separatel treated in the University's financial re porting for a variety of reasons, the chie one of which is that the Medical Center' finances are dominated by the operatio of the hospitals and closely related spon sored research activities and contrac services; together, they account for mor than three-fourths of Medical Center ex penditure. The University exclusive of th Medical Center (and the Law Cente Foundation) had current expenditures o $122 million in 1970-71. Expenditure fro restricted funds amounted to nearly $2 million, the great bulk of it for sponsore research and training activities. The thir major component, expenditure from gen eral University funds (exclusive of th Medical Center) thus amounted to $9 million.

The Task Force has focused its attentio on this component of the University' finances. But even within this component, there are some major "wash" items, where income and expenditure are directly offsetting. Auxiliary activities (like bookstores and dormitories) and real estate investment properties produced income of $7.5 million and $9.3 million, respectively, against somewhat greater expenditure for these purposes. If the income from these activities is subtracted from both the income and expense side of the income statement, thus leaving in the expense side only the net deficits from these activities, the net general fund expenditure for 1970-71 is just under $80 million. These calculations and adjustments are shown in Table 1.

In the University's budget process, departments and divisions within the schools and colleges prepare budgets that primarily consist of the salaries of faculty and departmental secretaries, fringe benefits on these salaries and departmental supplies. The consolidated departmental budgets, plus budgets for school or college administration, comprise the budgets of the schools and colleges. Some of the school budgets include space costs; some schools maintain separate libraries; and some school budgets include other central services. But most of the costs of operating and maintaining the University's physical plant, operating its library system, and providing a wide range of services like admissions, registration, personnel, payroll, etc., are centrally budgeted and not included in the specific budgets deans negotiate with the Chancellor. Instead, the budgets of the library system and the administrative divisions are negotiated between the heads of those divisions and the Chancellor.

In contrast, the great bulk of the University's general fund income is generated *within* the academic units. Of the $72.4

*We use 1970-71 data for the exposition in this section because overall financial results for 1970-71 have been published. In subsequent paragraphs, we focus on the expected results for the current year, 1971-72.

Table 1

THE UNIVERSITY'S FINANCIAL RESULTS, 1970-71
(In millions of dollars)

	Income (including unrestricted gifts applied)	Expenditures	Transfers	Net Deficit
1. Consolidated Totals	207.8	216.4	1.9	6.8
2. Less: Medical Center and Law Center Foundation	(93.0)	(94.4)	-	(1.5)
3. Rest of University	114.8	122.0	1.9	5.3
4. Less: Income and Expenditure from Restricted Funds	(25.6)	(25.6)	-	-
5. Rest of University General Funds	89.2	96.4	1.9	5.3
6. Less: Income from Auxiliary Activities and Real Estate Investment Properties	(16.8)	(16.8)	-	-
7. Rest of University, General Funds, Including only Net Deficit of Auxiliary Activities and Real Estate	72.4	79.6	1.9	5.3

Note: Because of rounding, detail may not add to totals.

million of unrestricted income and gifts shown in Table 1, nearly $68 million consisted of income and gifts attributable to the activities of individual schools. The major such sources were student fees ($57 million), the State appropriation ($4.6 million) and indirect expense recovery on sponsored programs ($3.3 million). The principal income item *not* attributable to individual schools was $1.9 million of general endowment income applied.

Since the University's income largely comes from the individual schools and colleges, that income *must* defray not only the direct expenses in the budgets of the schools and colleges but also the costs of the centrally budgeted services; there is little other income available to cover such

space and other services included within their own budgets, we have developed our own distinction between "direct" and "indirect" costs on the basis, not of the formal budgets, but of functional categories of expenditure. We define as "direct" costs for this purpose all expenditures from general funds (aside from student aid) that directly provide the educational and research activities for which the University exists. These functional categories include:

- **instructional and departmental research,** the category that comprises nearly all of departmental budgets in most schools;

- patient care services (applied only to

of "every tub on its own bottom," the percentages in column (4) would not be equal. In particular, the educational divisions with heavy use of libraries and plant, in particular the schools at University Heights, the Graduate School of Arts and Science, WSC, Education and BPA, would have had to produce column (4) percentages in excess of 159 to break even. On the other hand, the School of Continuing Education, the School of the Arts and the Graduate School of Social Work could break even with a percentage significantly below 159. The University's cost accounting system indicates that only four divisions fully covered their shares of "indirect" costs in 1970-71. GBA, GPA, Law and Dentistry, the first three of which were the only schools with column (4) percentages in excess of 159.

Framework of the Plan

Our plan starts with the estimated income, expenditures and deficit for the current year, 1971-72. The present estimate is that current expenditures will exceed current income plus unrestricted gifts by $11.5 million. (The reported deficit will be somewhat smaller because of the transfer of funds to reflect the difference between actual endowment earnings and the 6 percent rate of return.) Despite stringent economies, the deficit will be greater next year, 1972-73, because of adverse enrollment trends and some built-in cost increases. In our plan, 1973-74 is the year of change, with a balanced budget achieved in 1974-75. However, most of the improvement must occur in 1973-74: we propose that each of the budgets of the individual academic and nonacademic units for 1973-74 reflect no less than 80 percent of the improvement between 1971-72 and 1974-75 that our plan specifies.

The financial targets we have developed relate to the income (net of unfunded student aid) and gifts generated by the several schools and colleges, the costs incurred by the schools for instruction and directly related purposes (like the Dental Clinic, extension and public service and organized research) — "direct costs" — and the centrally budgeted or "indirect" costs allocated to the schools, the largest of which are libraries and the operation and maintenance of plant. In particular, our plan has two steps: maximizing the

3. Rest of University	114.8	122.0	1.9	5.3
4. Less: Income and Expenditure from Restricted Funds	(25.6)	(25.6)	-	-
5. Rest of University General Funds	89.2	96.4	1.9	5.3
6. Less: Income from Auxiliary Activities and Real Estate Investment Properties	(16.8)	(16.8)	-	-
7. Rest of University, General Funds, Including only Net Deficit of Auxiliary Activities and Real Estate	72.4	79.6	1.9	5.3

Note: Because of rounding, detail may not add to totals.

million of unrestricted income and gifts shown in Table 1, nearly $68 million consisted of income and gifts attributable to the activities of individual schools. The major such sources were student fees ($57 million), the State appropriation ($4.6 million) and indirect expense recovery on sponsored programs ($3.3 million). The principal income item *not* attributable to individual schools was $1.9 million of general endowment income applied.

Since the University's income largely comes from the individual schools and colleges, that income *must* defray not only the direct expenses in the budgets of the schools and colleges but also the costs of the centrally budgeted services; there is little other income available to cover such costs and, at the end of the 1971-72 fiscal year, there will be very little unrestricted capital available. The allocation of central, or joint, costs among units is necessarily an arbitrary process. Nonetheless, if the University is to operate, the schools and colleges must collectively produce income substantially in excess of direct costs.

The Budgetary Position of the Schools

In its investigations, the Task Force confronted two obvious questions about all this. First, just how much income must the academic units in combination produce in excess of their direct costs? Second, how much such income do the individual units produce at present? To answer these questions sensibly, some further adjustments to the data shown in Table I are necessary. They are shown in Table 2. One adjustment is to subtract student aid from general University funds. In a very real sense, student aid is an offset against income from student fees, for it is a fair presumption that, in the absence of student aid, student fee income would be reduced by at least that amount. The inclusion of student aid on both sides of the accounts overstates both income and expenditure. Another adjustment is the subtraction from both sides of centrally generated University income and the central costs such income can defray. The residuals, on line 5 of Table 2, represent the net costs that the educational division must bear and the net income available credited to the schools and colleges.

Since some, but not all, schools and colleges have some expenses for libraries, space and other services included within their own budgets, we have developed our own distinction between "direct" and "indirect" costs on the basis, not of the formal budgets, but of functional categories of expenditure. We define as "direct" costs for this purpose all expenditures from general funds (aside from student aid) that directly provide the educational and research activities for which the University exists. These functional categories include:

instructional and departmental research, the category that comprises nearly all of departmental budgets in most schools;

patient care services (applied only to the College of Dentistry);

other organized activities relating to educational departments, a category including noncredit workshops and seminar programs, Town Hall and similar activities;

organized research (principally the Courant Institute and the Research Division of the School of Engineering); and

extension and public services, a category dominated by the activities of the School of Continuing Education.

In 1970-71, total expenditures from general funds for these categories amounted to $44 million; net expenditures for the supporting services allocated to the schools amounted to $26 million (70 percent of this total is accounted for by library, plant and student services costs). Thus, total costs allocated to the schools were 159 percent of "direct" costs, while the total income generated by the schools was 143 percent of "direct" costs. That is, balancing the budget in 1970-71 would have required an average reduction in costs of 10 percent or an average increase in income of 11 percent.

In Table 3, we present data for the individual schools for 1970-71. In examining the Table, it should be kept in mind that a balanced budget could have been achieved only if the *average* school (weighted by size) had generated income and gifts equal to 150 percent of its direct costs. To be sure, the schools differ greatly in their use of libraries, space and other "indirect" services: even under a regime

try, the first three of which were the only schools with column (4) percentages in excess of 159.

Framework of the Plan

Our plan starts with the estimated income, expenditures and deficit for the current year, 1971-72. The present estimate is that current expenditures will exceed current income plus unrestricted gifts by $11.5 million. (The reported deficit will be somewhat smaller because of the transfer of funds to reflect the difference between actual endowment earnings and the 6 percent rate of return.) Despite stringent economies, the deficit will be greater next year, 1972-73, because of adverse enrollment trends and some built-in cost increases. In our plan, 1973-74 is the year of change, with a balanced budget achieved in 1974-75. However, most of the improvement must occur in 1973-74: we propose that each of the budgets of the individual academic and nonacademic units for 1973-74 reflect no less than 80 percent of the improvement between 1971-72 and 1974-75 that our plan specifies.

The financial targets we have developed relate to the income (net of unfunded student aid) and gifts generated by the several schools and colleges, the costs incurred by the schools for instruction and directly related purposes (like the Dental Clinic, extension and public service and organized research) — "direct costs" — and the centrally budgeted or "indirect" costs allocated to the schools, the largest of which are libraries and the operation and maintenance of plant. In particular, our plan has two steps: maximizing the excess of income produced by the schools over their direct costs and minimizing the aggregate size of the indirect costs that this excess must cover.

We express the targets in the first step in both percentage and dollar terms. Let us examine the aggregate results estimated for the University (exclusive of the Medical Center and of income and expense of restricted funds) for 1971-72:

1. In 1971-72, the schools and colleges are

Table 2

INCOME AND EXPENSE TO BE
TO EDUCATIONAL DIVISIONS,
(In millions of dollars

		Income (inc unrestric gifts app
1.	Line 7, Table 1	72.4
2.	Less: Student Aid from General Funds	(7.1)
3.	Income and Expenditure Net of Student Aid	65.3
4.	Less: General University Income and Gifts Applied to Central University Costs	(2.5)
5.	Income Originating within Schools and Expenditure Net of Central Income (Exclusive of Student Aid)	62.8

Table 1

FINANCIAL RESULTS, 1970-71
llions of dollars)

Income (including unrestricted ifts applied)	Expenditures	Transfers	Net Deficit
207.8	216.4	1.9	6.8
(93.0)	(94.4)	-	(1.5)
114.8	122.0	1.9	5.3
(25.6)	(25.6)	-	-
89.2	96.4	1.9	5.3
es - s			
(16.8)	(16.8)	-	-
72.4	79.6	1.9	5.3

etail may not add to totals.

gifts million utable s. The s ($57 ($4.6 ry on The le to gen- rgely and only

space and other services included within their own budgets, we have developed our own distinction between "direct" and "indirect" costs on the basis, not of the formal budgets, but of functional categories of expenditure. We define as "direct" costs for this purpose all expenditures from general funds (aside from student aid) that directly provide the educational and research activities for which the University exists. These functional categories include:

instructional and departmental research, the category that comprises nearly

of "every tub on its own bottom," the percentages in column (4) would not be equal. In particular, the educational divisions with heavy use of libraries and plant, in particular the schools at University Heights, the Graduate School of Arts and Science, WSC, Education and BPA, would have had to produce column (4) percentages in excess of 159 to break even. On the other hand, the School of Continuing Education, the School of the Arts and the Graduate School of Social Work could break even with a percentage significantly below 159. The University's cost accounting system indicates that only four divisions fully covered their shares of "indirect" costs in 1970-71. GBA, GPA, Law and Dentistry, the first three of which were the only schools with column (4) percentages in excess of 159.

Framework of the Plan

Our plan starts with the estimated income, expenditures and deficit for the current year, 1971-72. The present estimate is that current expenditures will exceed current income plus unrestricted gifts by $11.5 million. (The reported deficit will be somewhat smaller because of the transfer of funds to reflect the difference between actual endowment earnings and the 6 percent rate of return.) Despite stringent economies, the deficit will be greater next year, 1972-73, because of adverse enrollment trends and some built-in cost increases. In our plan, 1973-74 is the year of change, with a balanced budget achieved in 1974-75. However, most of the improvement must occur in 1973-74: we propose that each of the budgets of the individual academic and nonacademic units for 1973-74 reflect no less than 80 percent of the improvement between 1971-72 and 1974-75 that our plan specifies.

The financial targets we have developed relate to the income (net of unfunded student aid) and gifts generated by the several schools and colleges, the costs incurred by the schools for instruction and directly related purposes (like the Dental Clinic, extension and public service and organized research) — "direct costs" — and the centrally budgeted or "indirect" costs allocated to th

expected to generate unrestricted income and gifts (net of unfunded student aid) of ..... **$65.9 million**

2. This will amount to *147 percent* of direct instructional and related expenses of ..... **$44.8 million**

3. Thus, the academic units will be generating, to cover indirect, centrally budgeted costs, an excess over direct costs of ..... **21.1 million**

4. But net indirect costs allocated to the schools will amount to an estimated .... **$32.6 million** yielding a short-fall of ..... **$11.5 million**

5. To have achieved a balanced budget in 1971-72 would have required that the schools and colleges, in the aggregate, generate income equal to *173 percent* of direct costs.

As Table 4 shows, only two of the academic units (GPA and Law) will generate income in excess of 173 percent of direct costs. A third unit (GBA) will not meet this standard, but nonetheless is not in a deficit position because it makes relatively light demands on centrally budgeted services. On the other hand, the units at University Heights with very high plant costs and several of the units at the Square — the Arts and Science units, BPA, Education — with heavy use of libraries, plant and student services, would have been in deficit even had they met the 173 percent standard. Our targets for 1974-75 (see Table 6, below) call for high percentages for such schools.

We propose, below, economies in the operations of the centrally budgeted services that will significantly reduce these costs by 1974-75. Also, the sale of the University Heights campus will reduce noninstructional costs, for libraries, plant operation, debt service and the like, by an estimated $4 million. On the other hand, undergraduate enrollment trends and some of the academic retrenchment we propose will reduce income of some of the academic units significantly. Thus, a balanced budget for 1974-75

25.6)	(25.6)	-	-
89.2	96.4	1.9	5.3
s			
16.8)	(16.8)	-	-
72.4	79.6	1.9	5.3

etail may not add to totals.

gifts
illion
ntable
. The
($57
($4.6
ry on
The
le to
gen-

rgely
and
only
f the
sts of
ere is
such
fiscal
ricted
ntral,
sarily
f the
s and
ncome
ts.

hools

Force
about
ncome
nation
osts?
he in-
o an-
fur-
vn in
wn in
t stu-
ds. In
offset
it is
ce of
ld be
he in-
f the
d ex-
e sub-
gen-
ntral
resid-
t the
vision
ilable

d col-
aries,

space and other services included within their own budgets, we have developed our own distinction between "direct" and "indirect" costs on the basis, not of the formal budgets, but of functional categories of expenditure. We define as "direct" costs for this purpose all expenditures from general funds (aside from student aid) that directly provide the educational and research activities for which the University exists. These functional categories include:

- **instructional and departmental research,** the category that comprises nearly all of departmental budgets in most schools;
- **patient care services** (applied only to the College of Dentistry);
- **other organized activities relating to educational departments,** a category including noncredit workshops and seminar programs, Town Hall and similar activities;
- **organized research** (principally the Courant Institute and the Research Division of the School of Engineering); and
- **extension and public services,** a category dominated by the activities of the School of Continuing Education.

In 1970-71, total expenditures from general funds for these categories amounted to $44 million; net expenditures for the supporting services allocated to the schools amounted to $26 million (70 percent of this total is accounted for by library, plant and student services costs). Thus, total costs allocated to the schools were 159 percent of "direct" costs, while the total income generated by the schools was 143 percent of "direct" costs. That is, balancing the budget in 1970-71 would have required an average reduction in costs of 10 percent or an average increase in income of 11 percent.

In Table 3, we present data for the individual schools for 1970-71. In examining the Table, it should be kept in mind that a balanced budget could have been achieved only if the *average* school (weighted by size) had generated income and gifts equal to 150 percent of its direct costs. To be sure, the schools differ greatly in their use of libraries, space and other "indirect" services: even under a regime

schools with column (4) percentages in excess of 159.

Framework of the Plan

Our plan starts with the estimated income, expenditures and deficit for the current year, 1971-72. The present estimate is that current expenditures will exceed current income plus unrestricted gifts by $11.5 million. (The reported deficit will be somewhat smaller because of the transfer of funds to reflect the difference between actual endowment earnings and the 6 percent rate of return.) Despite stringent economies, the deficit will be greater next year, 1972-73, because of adverse enrollment trends and some built-in cost increases. In our plan, 1973-74 is the year of change, with a balanced budget achieved in 1974-75. However, most of the improvement must occur in 1973-74: we propose that each of the budgets of the individual academic and nonacademic units for 1973-74 reflect no less than 80 percent of the improvement between 1971-72 and 1974-75 that our plan specifies.

The financial targets we have developed relate to the income (net of unfunded student aid) and gifts generated by the several schools and colleges, the costs incurred by the schools for instruction and directly related purposes (like the Dental Clinic, extension and public service and organized research) — "direct costs" — and the centrally budgeted or "indirect" costs allocated to the schools, the largest of which are libraries and the operation and maintenance of plant. In particular, our plan has two steps: maximizing the excess of income produced by the schools over their direct costs and minimizing the aggregate size of the indirect costs that this excess must cover.

We express the targets in the first step in both percentage and dollar terms. Let us examine the aggregate results estimated for the University (exclusive of the Medical Center and of income and expense of restricted funds) for 1971-72:

1. In 1971-72, the schools and colleges are

1971-72 would have required that the schools and colleges, in the aggregate, generate income equal to *173 percent* of direct costs.

As Table 4 shows, only two of the academic units (GPA and Law) will generate income in excess of 173 percent of direct costs. A third unit (GBA) will not meet this standard, but nonetheless is not in a deficit position because it makes relatively light demands on centrally budgeted services. On the other hand, the units at University Heights with very high plant costs and several of the units at the Square — the Arts and Science units, BPA, Education — with heavy use of libraries, plant and student services, would have been in deficit even had they met the 173 percent standard. Our targets for 1974-75 (see Table 6, below) call for high percentages for such schools.

We propose, below, economies in the operations of the centrally budgeted services that will significantly reduce these costs by 1974-75. Also, the sale of the University Heights campus will reduce noninstructional costs, for libraries, plant operation, debt service and the like, by an estimated $4 million. On the other hand, undergraduate enrollment trends and some of the academic retrenchment we propose will reduce income of some of the academic units significantly. Thus, a balanced budget for 1974-75 cannot be achieved simply by meeting the 173 percent standard that applies in the current year. Specific dollar targets for individual schools, as well as percentage standards, are necessary. Those targets are developed in the following section. In Table 5, we present a summary of the targets that will produce a balanced budget for 1974-75, at 1971-72 salary and tuition levels (the adjustments necessary to provide for salary increases are discussed below). A reduction in direct instructional costs of $10.5 million, nearly one-fourth, is required, and a reduction in other costs of $7.3 million, or 22 percent, is also necessary.

Table 2

INCOME AND EXPENSE TO BE ALLOCATED TO EDUCATIONAL DIVISIONS, 1970-71
(In millions of dollars)

	Income (including unrestricted gifts applied)	Expenditures	Deficit before Transfers
1. Line 7, Table 1	72.4	79.6	7.2
2. Less: Student Aid from General Funds	(7.1)	(7.1)	-
3. Income and Expenditure Net of Student Aid	65.3	72.5	7.2
4. Less: General University Income and Gifts Applied to Central University Costs	(2.5)	(2.5)	-
5. Income Originating within Schools and Expenditure Net of Central Income (Exclusive of Student Aid)	62.8	70.0	7.2

II. IMPROVING THE FINANCIAL PERFORMANCE OF THE ACADEMIC UNITS

In late March and early April, the Task Force asked the heads of each of the academic units — deans of the schools and colleges with separate budgets and directors of free-standing institutes and centers operating with unrestricted University funds — to prepare three-year budgetary plans extending through 1974-75, plans that met fairly demanding standards of financial performance. In most cases, we had one or more meetings with the respective deans and directors to discuss these plans and, in a few cases, revised or adjusted plans were submitted to us.

For most of the academic units, the targets presented in Table 6 and discussed in the following paragraphs are those specified in the plans presented to us (adjusted, where necessary, to reflect uniform assumptions on salaries, tuition, etc.). For some units, however, we found the plans presented to us unacceptable and the targets we present are those set by the Task Force. However, for both types of cases, we use the term "targets" *not* as an indication of well-intentioned hopes, but as financial results that simply *must* be achieved if the University is to survive. The critical figure is the excess of income over direct expense, in dollars (column 1 of Table 6). If income falls short of the projected level for any school, that school must find ways to reduce its projected direct instructional and related expense, dollar for dollar.

On the other hand, if income exceeds the projected levels — and our hope is that new educational programs and other innovations will have this result, especially for undergraduate education — then direct instructional costs can rise at least proportionately. This is especially important in the Arts and Science complex and in other units where substantial cuts in direct instructional costs are anticipated. The appropriate point of view for the schools and colleges is that every $100,000 of additional income and unrestricted gifts generated — above the amounts projected — can save roughly four full-time faculty positions.

Before turning to the individual units, we must recognize the unreality of projections based on the assumption that salary levels can remain frozen for four years (from 1971-72 through 1974-75). During the 1960's, rising salary levels were, in essence, financed by fairly steady increases in tuition rates. We believe that this will *not* be a feasible course, in regard to undergraduate education (or to the University Administration; see below); this is discussed at somewhat greater length in a subsequent section of the report. We are persuaded that the Courant Institute of Mathematical Sciences also should be integrated for budgetary and administrative purposes (while preserving its academic identity) into the unified Faculty of Arts and Science. Also the University Without Walls program should be integrated into Arts and Science. The discussion and projections in this section thus cover what are now five separate units: the Graduate School of Arts and Science, Washington Square College, University College, the Courant Institute and the University Without Walls.*

In 1971-72, those Arts and Science divisions are estimated to produce a deficit, on a fully allocated cost basis, of $6.4 million, more than half the total University deficit. Even if the costs attributable to University College's location at the Heights (and thus avoided when it returns to Washington Square in September 1973) were eliminated, the deficit would be approximately $4.7 million. The Arts and Science divisions more than cover their direct instructional costs, but they account for very large shares of centrally budgeted expenses: nearly half of library and student services costs and roughly one-third of space occupancy and central services costs. Thus, to operate without deficits, they would have to produce income in excess of direct instructional costs of very considerable magnitude, and more so than for most other divisions of the University.

The overall plan of the Task Force calls for substantial reductions in some of the centrally budgeted expenses. But even if drastic reductions in these costs are achieved, the University can remain solvent only if the direct instructional costs in Arts and Science are also reduced drastically.

At the undergraduate level, the problem is one of scaling down to match undergraduate enrollments. We project that the combined Washington Square College-University College enrollment will level off at a full-time equivalent total of just over 4,000, compared to 5,300 in the Fall term, 1971.** Proportionately much larger declines are anticipated in the numbers of undergraduates from other divisions taking liberal arts courses, reflecting expected enrollment trends in these divisions.

At the graduate level, we anticipate relatively steady enrollment, on balance only slightly below the 1971-72 level. The action that is required here includes the elimination of a few programs with very low enrollments and [illegible]

lowing observations and suggested g
lines.

Costs of instruction, in any institu
differ so widely among the disciplines
in the best of circumstances — with
enrollments and external funding
assiduous efforts to economize and u
efficient educational methods — the
of income generated to direct instructi
costs would be far from uniform an
Arts and Science departments. The
for our University, however, are disma
in that so many normally low-instructio
cost disciplines in fact have very
instructional costs. Moreover, inhere
high-cost graduate instructional progr
are too often accompanied by equally
costs at the undergraduate level. In p
these circumstances are explained by
numerous instances in which enrolln
declines have *not* been matched by
contraction in staffing or space, wh
suggests where the cuts must be m
drastic.

For example, *language* departme
should not be high-cost ones and they h
not been historically at this Univers
Yet many of them produce income t
does not cover direct instructional co
let alone contribute anything to cover
other costs. Some of them do just as ba
in financial terms on the undergradu
level as on the graduate level. Clea
enrollment declines form the principal
planation in these cases. In the absence
any reasonable expectation of a revers
there are a number of obvious cases
program termination among the languag
This cannot be considered unthinkab
for even now we do not offer instructi
in a number of languages that are wide
used and possess an extensive literatu
(e.g., Hindi, Bengali); instruction in
traditional Western language is not sacr
sanct simply because it is both tradition
and Western.

The *humanities*, other than the languag
departments, are also historically low-co
ones for the most part, and some of the
continue to be so. Moreover, in most case
the undergraduate programs have exce
lent financial results. But here, too, the
are departments that barely cover direc

INCOME AND "DIRECT" EXP

(Dollar

Unit	(1) Income and Less Studen
Arts and Science:	

For most of the academic units, the targets presented in Table 6 and discussed in the following paragraphs are those specified in the plans presented to us (adjusted, where necessary, to reflect uniform assumptions on salaries, tuition, etc.). For some units, however, we found the plans presented to us unacceptable and the targets we present are those set by the Task Force. However, for both types of cases, we use the term "targets" *not* as an indication of well-intentioned hopes, but as financial results that simply *must* be achieved if the University is to survive. The critical figure is the excess of income over direct expense, in dollars (column 1 of Table 6). If income falls short of the projected level for any school, that school must find ways to reduce its projected direct instructional and related expense, dollar for dollar.

On the other hand, if income exceeds the projected levels — and our hope is that new educational programs and other innovations will have this result, especially for undergraduate education — then direct instructional costs can rise at least proportionately. This is especially important in the Arts and Science complex and in other units where substantial cuts in direct instructional costs are anticipated. The appropriate point of view for the schools and colleges is that every $100,000 of additional income and unrestricted gifts generated — above the amounts projected — can save roughly four full-time faculty positions.

Before turning to the individual units, we must recognize the unreality of projections based on the assumption that salary levels can remain frozen for four years (from 1971-72 through 1974-75). During the 1960's, rising salary levels were, in essence, financed by fairly steady increases in tuition rates. We believe that this will *not* be a feasible course, in regard to undergraduate tuition levels, in the 1970's. However, modest increases in tuition in the graduate and professional schools do seem feasible. As Table 7 shows, an increase in graduate and professional tuition to $90 a point (or the rough equivalent, for divisions not now on the $83 a point schedule) could come close to financing salary increases averaging 10 percent above 1971-72, in the academic units, in our projections for 1974-75. Larger salary increases would require increases in income not projected in any of the tables to this point.

This is the aggregate picture for the academic units. The units that are largely or exclusively graduate or professional would have greater room for salary increases financed from graduate tuition increases. We believe that the need to finance salary increases — or do without them and lose faculty and staff — should provide a powerful incentive to innovations that generate additional income.

The Arts and Science Complex

The Task Force recommends a vertical reorganization of the University, that is, academic, budgetary and administrative integration of the relevant graduate and undergraduate divisions in the Arts and Science complex and (also in Business

sions are estimated to produce a deficit, on a fully allocated cost basis, of $6.4 million, more than half the total University deficit. Even if the costs attributable to University College's location at the Heights (and thus avoided when it returns to Washington Square in September 1973) were eliminated, the deficit would be approximately $4.7 million. The Arts and Science divisions more than cover their direct instructional costs, but they account for very large shares of centrally budgeted expenses: nearly half of library and student services costs and roughly one-third of space occupancy and central services costs. Thus, to operate without deficits, they would have to produce income in excess of direct instructional costs of very considerable magnitude, and more so than for most other divisions of the University.

The overall plan of the Task Force calls for substantial reductions in some of the centrally budgeted expenses. But even if drastic reductions in these costs are achieved, the University can remain solvent only if the direct instructional costs in Arts and Science are also reduced drastically.

At the undergraduate level, the problem is one of scaling down to match undergraduate enrollments. We project that the combined Washington Square College-University College enrollment will level off at a full-time equivalent total of just over 4,000, compared to 5,300 in the Fall term, 1971.** Proportionately much larger declines are anticipated in the numbers of undergraduates from other divisions taking liberal arts courses, reflecting expected enrollment trends in these divisions.

At the graduate level, we anticipate relatively steady enrollment, on balance only slightly below the 1971-72 level. The action that is required here includes the elimination of a few programs with very low enrollments (and hence very high per student costs), but, more generally, a slimming down of course offerings and instructional staff in the numerous departments where per student costs have risen rapidly, to unsupportable levels, in recent years. In all, the targets we set call for a reduction in direct instructional and related costs in Arts and Science from $16.7 million in 1971-72 to $11 million in 1974-75.

The specific cutbacks required to meet the financial targets of course must be determined within the academic units, for Arts and Science as for the other parts of the University. Elsewhere, we suggest some operating procedures for doing this, with substantial faculty involvement. However, we have examined the data for individual departments in Arts and Science; this examination has resulted in the fol-

*Another structural issue concerns the Department of Economics at Washington Square, now a joint GSAS-WSC-BPA department, with complex financial interchanges. Given the restructuring of both Arts and Science and Business Administration, the budgetary and academic arrangements for Economics should be the subject of early negotiations among the two new unified faculties and the central administration of the University.

**This makes no allowance for increased enrollments stemming from radical new departures in undergraduate Arts and Science education. It further assumes that tuition will remain at current levels.

costs at the undergraduate level. In pa
these circumstances are explained by t
numerous instances in which enrollme
declines have *not* been matched by a
contraction in staffing or space, whi
suggests where the cuts must be mo
drastic.

For example, *language* departmen
should not be high-cost ones and they ha
not been historically at this Universi
Yet many of them produce income th
does not cover direct instructional cos
let alone contribute anything to coveri
other costs. Some of them do just as bad
in financial terms on the undergradua
level as on the graduate level. Clearl
enrollment declines form the principal e
planation in these cases. In the absence
any reasonable expectation of a reversa
there are a number of obvious cases f
program termination among the language
This cannot be considered unthinkabl
for even now we do not offer instructio
in a number of languages that are widel
used and possess an extensive literatur
(e.g., Hindi, Bengali); instruction in
traditional Western language is not sacro
sanct simply because it is both traditiona
and Western.

The *humanities*, other than the languag
departments, are also historically low-cos
ones for the most part, and some of them
continue to be so. Moreover, in most cases
the undergraduate programs have excel
lent financial results. But here, too, there
are departments that barely cover direc

INCOME AND "DIRECT" EXPE

(Dollar

Unit	(1) Income and G Less Student
Arts and Science:	
University College	$6,161
Washington Sq. College	10,120
GSAS	5,755
Courant Institute	788
Subtotal, A & S	22,824
Education	10,984
Business Administration:	
GBA	4,596
College of Business and Public Administration	2,269
Subtotal, Bus. Admin.	6,865
School of the Arts	1,990
GPA	1,065
Law	3,844
Dentistry	3,256
Social Work	765
Engineering & Science	4,995
School of Continuing Ed.	5,608
Institute of Fine Arts	636
Afro American Institute	16
Center for International Studies	-
TOTAL	$62,847

Note: Because of rounding, detail ma

a) Includes instruction and de
organized research (Enginee
public service (Education a
activities (Law, SCE and Ce

E FINANCIAL OF THE TS

early April, the heads of each of ans of the schools ate budgets and g institutes and nrestricted Uni- epare three-year g through 1974- demanding stand- rmance. In most e meetings with directors to dis- n a few cases, were submitted

emic units, the 6 and discussed phs are those resented to us ry, to reflect alaries, tuition, ever, we found nacceptable and e those set by for both types "targets" *not* ntioned hopes, t simply *must* y is to survive. cess of income llars (column falls short of y school, that o reduce its l and related

come exceeds our hope is ms and other ult, especially — then direct at least pro- ly important nplex and in uts in direct cipated. The the schools ,000 of addi- d gifts gen- projected — me faculty

Administration; see below); this is discussed at somewhat greater length in a subsequent section of the report. We are persuaded that the Courant Institute of Mathematical Sciences also should be integrated for budgetary and administrative purposes (while preserving its academic identity) into the unified Faculty of Arts and Science. Also the University Without Walls program should be integrated into Arts and Science. The discussion and projections in this section thus cover what are now five separate units: the Graduate School of Arts and Science, Washington Square College, University College, the Courant Institute and the University Without Walls.*

In 1971-72, those Arts and Science divisions are estimated to produce a deficit, on a fully allocated cost basis, of $6.4 million, more than half the total University deficit. Even if the costs attributable to University College's location at the Heights (and thus avoided when it returns to Washington Square in September 1973) were eliminated, the deficit would be approximately $4.7 million. The Arts and Science divisions more than cover their direct instructional costs, but they account for very large shares of centrally budgeted expenses: nearly half of library and student services costs and roughly one-third of space occupancy and central services costs. Thus, to operate without deficits, they would have to produce income in excess of direct instructional costs of very considerable magnitude, and more so than for most other divisions of the University.

The overall plan of the Task Force calls for substantial reductions in some of the centrally budgeted expenses. But even if drastic reductions in these costs are achieved, the University can remain solvent only if the direct instructional costs in Arts and Science are also reduced drastically.

At the undergraduate level, the problem is one of scaling down to match undergraduate enrollments. We project that the combined Washington Square College-University College enrollment will level off at a full-time equivalent total of just over 4,000, compared to 5,300 in the Fall term, 1971.** Proportionately much larger

lowing observations and suggested guidelines.

Costs of instruction, in any institution, differ so widely among the disciplines that in the best of circumstances — with level enrollments and external funding and assiduous efforts to economize and utilize efficient educational methods — the ratio of income generated to direct instructional costs would be far from uniform among Arts and Science departments. The data for our University, however, are dismaying in that so many normally low-instructional-cost disciplines in fact have very high instructional costs. Moreover, inherently high-cost graduate instructional programs are too often accompanied by equally high costs at the undergraduate level. In part, these circumstances are explained by the numerous instances in which enrollment declines have *not* been matched by any contraction in staffing or space, which suggests where the cuts must be most drastic.

For example, *language* departments should not be high-cost ones and they have not been historically at this University. Yet many of them produce income that does not cover direct instructional costs, let alone contribute anything to covering other costs. Some of them do just as badly in financial terms on the undergraduate level as on the graduate level. Clearly, enrollment declines form the principal explanation in these cases. In the absence of any reasonable expectation of a reversal, there are a number of obvious cases for program termination among the languages. This cannot be considered unthinkable, for even now we do not offer instruction in a number of languages that are widely used and possess an extensive literature (e.g., Hindi, Bengali); instruction in a traditional Western language is not sacrosanct simply because it is both traditional and Western.

The *humanities*, other than the language departments, are also historically low-cost ones for the most part, and some of them continue to be so. Moreover, in most cases, the undergraduate programs have excellent financial results. But here, too, there are departments that barely cover direct

costs, and these are not always our m prestigious ones.

Instructional costs in the *social scienc* should be low, even at the graduate lev Our social science departments, with o exception, have very good undergradua financial results, but for several depar ments this is vitiated by very poor grad ate-level financial performance. One of th social science departments barely manage to cover direct costs, an outcome that i entirely unacceptable for this discipline

The *sciences* do tend to be high-cos operations and ours are no exceptio But there is real question in regard t whether we can continue to permit a de partment to operate under conditions tha result in its covering 60 percent or less of its direct costs, as is the case for tw of our science departments. That this out come is *not* inevitable is demonstrated b the one science department that *does* cove its direct costs even at the graduate level.

If Arts and Science as a whole were to be in balance in 1974-75, it would have to produce income that is equal to 195 percent of direct costs. We suggest as guidelines for retrenchment that any department that fails to generate at least 130 percent of direct instructional costs should be considered for discontinuance. The decisions on cross-subsidization among departments within the Arts and Science complex must be made explicit ones.

The financial targets we set for Arts and Science as a whole assume income of $19.9 million and specify direct instructional budgets of $11.0 million.* This will produce an excess of income over direct costs of $8.9 million; even so, we estimate that Arts and Science will have a deficit,

*The income projections used here are based, in part, on the current formula employed to apportion among the schools tuition income for "A" and "W" courses taken by Education, BPA, and Arts students. That formula should be reviewed and set on the basis of contemporary evidence regarding the relative costs of instruction, student aid and student services for the classes of students involved in these transactions. In the light of the proposed reductions in outlays for student services (see below) it may be that higher fractions of the income should accrue to the school teaching the course. In any event, the very large scale and immediacy of the cutbacks in Arts and Science direct costs call for an immediate review and re-

demic units, the
e 6 and discussed
raphs are those
presented to us
sary, to reflect
salaries, tuition,
wever, we found
unacceptable and
are those set by
r, for both types
m "targets" *not*
ntentioned hopes,
hat simply *must*
ity is to survive.
excess of income
dollars (column
e falls short of
any school, that
to reduce its
onal and related

income exceeds
nd our hope is
grams and other
result, especially
on — then direct
se at least pro-
cially important
complex and in
ial cuts in direct
nticipated. The
for the schools
$100,000 of addi-
icted gifts gen-
nts projected —
ull-time faculty

individual units,
eality of projec-
tion that salary
for four years
974-75). During
levels were, in
steady increases
e that this will
n regard to un-
, in the 1970's.
es in tuition in
onal schools do
7 shows, an in-
fessional tuition
ugh equivalent,
the $83 a point
se to financing
ng 10 percent
demic units, in
5. Larger salary
reases in income
e tables to this

picture for the
that are largely
or professional
for salary in-
raduate tuition
at the need to
— or do without
staff — should
e to innovations
ncome.

mplex

nends a vertical
versity, that is,
administrative
t graduate and
n the Arts and
so in Business

sions are estimated to produce a deficit, on a fully allocated cost basis, of $6.4 million, more than half the total University deficit. Even if the costs attributable to University College's location at the Heights (and thus avoided when it returns to Washington Square in September 1973) were eliminated, the deficit would be approximately $4.7 million. The Arts and Science divisions more than cover their direct instructional costs, but they account for very large shares of centrally budgeted expenses: nearly half of library and student services costs and roughly one-third of space occupancy and central services costs. Thus, to operate without deficits, they would have to produce income in excess of direct instructional costs of very considerable magnitude, and more so than for most other divisions of the University.

The overall plan of the Task Force calls for substantial reductions in some of the centrally budgeted expenses. But even if drastic reductions in these costs are achieved, the University can remain solvent only if the direct instructional costs in Arts and Science are also reduced drastically.

At the undergraduate level, the problem is one of scaling down to match undergraduate enrollments. We project that the combined Washington Square College-University College enrollment will level off at a full-time equivalent total of just over 4,000, compared to 5,300 in the Fall term, 1971.** Proportionately much larger declines are anticipated in the numbers of undergraduates from other divisions taking liberal arts courses, reflecting expected enrollment trends in these divisions.

At the graduate level, we anticipate relatively steady enrollment, on balance only slightly below the 1971-72 level. The action that is required here includes the elimination of a few programs with very low enrollments (and hence very high per student costs), but, more generally, a slimming down of course offerings and instructional staff in the numerous departments where per student costs have risen rapidly, to unsupportable levels, in recent years. In all, the targets we set call for a reduction in direct instructional and related costs in Arts and Science from $16.7 million in 1971-72 to $11 million in 1974-75.

The specific cutbacks required to meet the financial targets of course must be determined within the academic units, for Arts and Science as for the other parts of the University. Elsewhere, we suggest some operating procedures for doing this, with substantial faculty involvement. However, we have examined the data for individual departments in Arts and Science; this examination has resulted in the following observations.

these circumstances are explained by the numerous instances in which enrollment declines have *not* been matched by any contraction in staffing or space, which suggests where the cuts must be most drastic.

For example, *language* departments should not be high-cost ones and they have not been historically at this University. Yet many of them produce income that does not cover direct instructional costs, let alone contribute anything to covering other costs. Some of them do just as badly in financial terms on the undergraduate level as on the graduate level. Clearly, enrollment declines form the principal explanation in these cases. In the absence of any reasonable expectation of a reversal, there are a number of obvious cases for program termination among the languages. This cannot be considered unthinkable, for even now we do not offer instruction in a number of languages that are widely used and possess an extensive literature (e.g., Hindi, Bengali); instruction in a traditional Western language is not sacrosanct simply because it is both traditional and Western.

The *humanities*, other than the language departments, are also historically low-cost ones for the most part, and some of them continue to be so. Moreover, in most cases, the undergraduate programs have excellent financial results. But here, too, there are departments that barely cover direct

result in its covering 60 percent or le
of its direct costs, as is the case for tw
of our science departments. That this ou
come is *not* inevitable is demonstrated
the one science department that *does* cov
its direct costs even at the graduate lev

If Arts and Science as a whole were
be in balance in 1974-75, it would have
produce income that is equal to 195 perce
of direct costs. We suggest as guidelin
for retrenchment that any department th
fails to generate at least 130 percent of
rect instructional costs should be consider
for discontinuance. The decisions on cros
subsidization among departments with
the Arts and Science complex must
made explicit ones.

The financial targets we set for Ar
and Science as a whole assume income
$19.9 million and specify direct instru
tional budgets of $11.0 million.* This w
produce an excess of income over dire
costs of $8.9 million; even so, we estima
that Arts and Science will have a defici

*Another structural issue concerns the Department of Economics at Washington Square, now a joint GSAS-WSC-BPA department, with complex financial interchanges. Given the restructuring of both Arts and Science and Business Administration, the budgetary and academic arrangements for Economics should be the subject of early negotiations among the two new unified faculties and the central administration of the University.

**This makes no allowance for increased enrollments stemming from radical new departures in undergraduate Arts and Science education. It further assumes that tuition will remain at current levels.

*The income projections used here are base
in part, on the current formula employed to a
portion among the schools tuition income for "A
and "W" courses taken by Education, BPA, an
Arts students. That formula should be reviewe
and set on the basis of contemporary evidence r
garding the relative costs of instruction, studen
aid and student services for the classes of studen
involved in these transactions. In the light of th
proposed reductions in outlays for student servic
(see below) it may be that higher fractions of th
income should accrue to the school teaching th
course. In any event, the very large scale an
immediacy of the cutbacks in Arts and Scienc
direct costs call for an immediate review and r
determination of the formula.

Table 3

INCOME AND "DIRECT" EXPENSE OF THE EDUCATIONAL UNITS, 1970-71

(Dollar amounts in thousands)

Unit	(1) Income and Gifts Less Student Aid	(2) "Direct" Expense [a]	(3) (1) less (2)	(4) (1) as % of (2)
Arts and Science:				
University College	$6,161	$3,982	$2,179	155%
Washington Sq. College	10,120	7,291	2,829	139
GSAS	5,755	4,241	1,514	136
Courant Institute	788	853	(65)	92
Subtotal, A & S	22,824	16,367	6,457	139
Education	10,984	6,966	4,018	158
Business Administration:				
GBA	4,596	2,825	1,771	163
College of Business and Public Administration	2,269	1,508	761	150
Subtotal, Bus. Admin.	6,865	4,333	2,532	158
School of the Arts	1,990	1,579	411	126
GPA	1,065	510	555	209
Law	3,844	2,355	1,489	163
Dentistry	3,256	2,099	1,157	155
Social Work	765	731	34	105
Engineering & Science	4,995	3,722	1,273	134
School of Continuing Ed.	5,608	4,675	933	120
Institute of Fine Arts	636	464	172	137
Afro American Institute	16	121	(115)	13
Center for International Studies	-	126	(126)	0
TOTAL	$62,847	$44,049	$18,798	143%

Note: Because of rounding, detail may not add to totals.

a) Includes instruction and departmental research; Dental Clinic; organized research (Engineering and Courant); extension and public service (Education and SCE); and other organized activities (Law, SCE and Center for International Studies).

operations. An incentive for the participa- phase; we assume that some reductions in

on a fully allocated-cost basis, in excess of $1.5 million. Income will be equal to 181 percent of direct instructional costs in the aggregate. Consequently, any department that fails to meet the 181 percent standard will be receiving a subsidy from the departments that do more than meet this standard (as well as the subsidy from other divisions of the University built into the overall Arts and Science financial targets). This subsidization process should be done on the basis of explicit decisions that the Department X is in fact worth such a subsidy.

Education

The targets for the School of Education assume a further large decline in undergraduate enrollment in 1972-73, with no recovery thereafter. Graduate enrollment is expected to hold up well, and the income generated by the School in 1974-75 (at current tuition levels) is expected to be little different than it is in the current year (about $55,000 higher). Direct instructional costs are to be controlled tightly, to produce a decline of close to $300,000. On balance, the School should overcome the deficit it is expected to generate in 1971-72.

Business Administration

As in the case of Arts and Science, the Task Force has recommended budgetary integration of the graduate and undergraduate faculties in Business Administration and creation of a single faculty of Business Administration. In 1971-72, the Graduate School of Business Administration is expected to have a surplus on a fully allocated-cost basis, but this will be more than offset by the deficit of the undergraduate College of Business and Public Administration. Undergraduate enrollment and income are projected to decline substantially to 1974-75, but there will be matching declines in the instructional costs for undergraduate education, according to the plans submitted to us. Graduate enrollment is projected to rise further and instructional costs at the graduate level will also rise. On balance, however, the excess of income over direct costs for Business Administration in 1974-75 is targeted for nearly $850,000 more than in the current year, and Business Administration as a whole will not be a deficit operation. It should be noted that a significant portion of the excess over direct instructional costs is not available to cover centrally budgeted costs at Washington Square, but instead must be used charges for space use after the occupancy of Tisch Hall).

School of Law

The School of Law, like GBA and GPA, is currently in a surplus position, albeit modestly. Its income, direct instructional costs, and excess of income over direct costs are projected to change only slightly to 1974-75, but that change is a favorable one. As with GBA, the Law School's excess of income over direct costs is not all available to meet centrally budgeted indirect costs, since it directly provides a library and other costly services.

College of Dentistry

The budget plan presented to the Task Force by the College shows a more rapid increase in direct instructional and related (mainly Clinic) costs than in income. By 1974-75 the excess of income over direct costs will be only $100,000 or so above 1971-72 outlays for operation and maintenance of the existing Dental plant. We are persuaded that this excess will be insufficient to cover the likely plant costs — on existing buildings — in 1974-75, much less contribute anything for other costs, some of which are incurred at the Dental Center, not Washington Square. Therefore, we have set as a target for the College an excess of income over direct expense for "organized activities" of $1.4 million, over $400,000 greater than in the plan presented to us, to be achieved by appropriate adjustments of income and direct expense, mainly the latter.

Moreover, we are concerned with the financial impact of the proposed new building. Like all other schools, the College must present a detailed plan for covering, *in full*, both debt service and operating costs of the new building, before proceeding with the building. We fully realize that this requirement has not been set (or met) for other new buildings in recent years, but the University simply has no resources left to meet deficits on planned new buildings. Other divisions of the University cannot be called upon to dismiss faculty members in order to help finance new buildings, at the Dental Center or anywhere else. That seems to us far harsher than to require that the financial planning for new buildings guarantee their complete support, however dire the consequences of failing to construct new buildings.

Graduate School of Social Work

Like numerous other schools and de- should be continued. Its discontinuance will permit a real and early saving of appreciable amounts; we estimate that elimination of the direct instructional cost deficit and the readily realized savings of space occupancy and central service costs would total $200,000 on the basis of 1971-72 experience.

The discontinuance of any school is a prospect that is difficult to contemplate, let alone recommend. It is especially difficult in the case of Social Work. We are mindful of the real and symbolic value of a school of social work in an urban university. The School does reach into the ghetto communities in important ways, training people who will be providing services directly to poverty-area residents and actually providing services right now, in the form of students doing field work in social agencies. Moreover, the proportions of its faculty and student body who are minority-group members or women are high relative to other schools at the University.

The Task Force has had oral and written consultations with the faculty and dean of the School. They have spoken eloquently and fervently of the social value of the School's effort. In addition, at our request, they have addressed the financial problems of and prospects for the School. We have been told that the clinical nature of social work instruction makes reduction in per student costs very hard to achieve, although marginal reductions stemming from some limited admission of part-time students to the didactic courses are expected next year and thereafter. Also, the School proposes to institute an undergraduate social work program with lower per student costs, but the overall improvement that this program will contribute to the School's finances has not been specified and may depend largely on the external funding that may or may not be forthcoming.

Therefore, the prospect for financial viability for the School seems to rest on increases in income from government sources for instructional programs (the one large new research program at present is only 50 percent financed from external sources) and receipts from gifts. We have been given budget projections premised on large increases in income and gifts. The premises strike us as highly optimistic in view of experience in the recent past, in particular the premise that large continuing receipts from unrestricted gifts will be forthcoming for a school that never before has attracted significant amounts of gifts income

The targets for the School of Education assume a further large decline in undergraduate enrollment in 1972-73, with no recovery thereafter. Graduate enrollment is expected to hold up well, and the income generated by the School in 1974-75 (at current tuition levels) is expected to be little different than it is in the current year (about $55,000 higher). Direct instructional costs are to be controlled tightly, to produce a decline of close to $300,000. On balance, the School should overcome the deficit it is expected to generate in 1971-72.

Business Administration

As in the case of Arts and Science, the Task Force has recommended budgetary integration of the graduate and undergraduate faculties in Business Administration and creation of a single faculty of Business Administration. In 1971-72, the Graduate School of Business Administration is expected to have a surplus on a fully allocated-cost basis, but this will be more than offset by the deficit of the undergraduate College of Business and Public Administration. Undergraduate enrollment and income are projected to decline substantially to 1974-75, but there will be matching declines in the instructional costs for undergraduate education, according to the plans submitted to us. Graduate enrollment is projected to rise further and instructional costs at the graduate level will also rise. On balance, however, the excess of income over direct costs for Business Administration in 1974-75 is targeted for nearly $850,000 more than in the current year, and Business Administration as a whole will not be a deficit operation. It should be noted that a significant portion of the excess over direct instructional costs is not available to cover centrally budgeted costs at Washington Square, but instead must be used to operate library, buildings and services downtown at GBA.

School of the Arts

In the current year, the School of the Arts will have a deficit on a fully allocated-cost basis. Demand for admission to most of the programs of the School is very strong and the School plans to overcome its deficit by increasing enrollments in these programs. The targets call for an increase in income that is more than double the associated rise in instructional costs, to yield an excess of income over instructional costs of $950,000 by 1974-75.

Public Administration

In proportion to its size, the Graduate School of Public Administration has by far the most favorable financial results of any of the schools in the University. This is a consequence of sharp rises in enrollment in recent years, combined with a modest rate of faculty expansion and success in raising external funds to finance instructional programs. The 1974-75 targets project some further increase in enrollment, although at rates that are very low by recent standards, and a somewhat faster rate of increase in direct instructional costs. In terms of percentages, the School's results will deteriorate slightly and its surplus on a fully allocated-cost basis will also decline slightly (in part due to higher

College of Dentistry

The budget plan presented to the Task Force by the College shows a more rapid increase in direct instructional and related (mainly Clinic) costs than in income. By 1974-75 the excess of income over direct costs will be only $100,000 or so above 1971-72 outlays for operation and maintenance of the existing Dental plant. We are persuaded that this excess will be insufficient to cover the likely plant costs — on existing buildings — in 1974-75, much less contribute anything for other costs, some of which are incurred at the Dental Center, not Washington Square. Therefore, we have set as a target for the College an excess of income over direct expense for "organized activities" of $1.4 million, over $400,000 greater than in the plan presented to us, to be achieved by appropriate adjustments of income and direct expense, mainly the latter.

Moreover, we are concerned with the financial impact of the proposed new building. Like all other schools, the College must present a detailed plan for covering, *in full*, both debt service and operating costs of the new building, before proceeding with the building. We fully realize that this requirement has not been set (or met) for other new buildings in recent years, but the University simply has no resources left to meet deficits on planned new buildings. Other divisions of the University cannot be called upon to dismiss faculty members in order to help finance new buildings, at the Dental Center or anywhere else. That seems to us far harsher than to require that the financial planning for new buildings guarantee their complete support, however dire the consequences of failing to construct new buildings.

Graduate School of Social Work

Like numerous other schools and departments at the University, the Graduate School of Social Work was enabled to expand its program considerably during the 1960's by a large infusion of government funds. As in other cases, government support has been severely cut back in the last few years. The financial results for Social Work have been especially severe, because most of the government support directly financed instruction, not research. This means not only loss of indirect cost recoveries and ancillary support, but also the need to transfer instructional salaries to the University's unrestricted funds budget, if the instructional program is to be maintained.

In consequence, the School is now operating with a large deficit. It is the only one of the University's schools and colleges that will not cover its direct cost of instruction from its income in 1971-72, and thus it will not be contributing *anything* for the use of space, communications services, personnel and payroll services, and the like, not to mention libraries and central overhead costs. On a fully allocated-cost basis its 1970-71 deficit was $285,000, roughly 37 percent of its income; the estimated deficit for 1971-72 is approximately $450,000, equivalent to 60 percent of its income. Relative to size or any other measure, this is by far the worst financial outcome among the University's schools.

The Task Force, therefore, has been compelled to consider whether the School

training people who will be providing services directly to poverty-area residents and actually providing services right now, in the form of students doing field work in social agencies. Moreover, the proportions of its faculty and student body who are minority-group members or women are high relative to other schools at the University.

The Task Force has had oral and written consultations with the faculty and dean of the School. They have spoken eloquently and fervently of the social value of the School's effort. In addition, at our request, they have addressed the financial problems of and prospects for the School. We have been told that the clinical nature of social work instruction makes reduction in per student costs very hard to achieve, although marginal reductions stemming from some limited admission of part-time students to the didactic courses are expected next year and thereafter. Also, the School proposes to institute an undergraduate social work program with lower per student costs, but the overall improvement that this program will contribute to the School's finances has not been specified and may depend largely on the external funding that may or may not be forthcoming.

Therefore, the prospect for financial viability for the School seems to rest on increases in income from government sources for instructional programs (the one large new research program at present is only 50 percent financed from external sources) and receipts from gifts. We have been given budget projections premised on large increases in income and gifts. The premises strike us as highly optimistic in view of experience in the recent past, in particular the premise that large continuing receipts from unrestricted gifts will be forthcoming for a school that never before has attracted significant amounts of gifts income.

In an earlier era—when the University could afford to meet the unanticipated deficits of one school from the surpluses generated by others—we might have urged acceptance of optimistic premises. However, since the University now has no financial elbow-room whatever, the proper course must be that of financial conservatism. Our appraisal, from that standpoint, is that the Graduate School of Social Work is likely to continue to produce deficits that are very large relative to its size, deficits that the University cannot sustain.

The Task Force reluctantly concludes that the School must be discontinued. Since a new class has been admitted for 1972-73 for the two-year program, the School cannot be discontinued until the end of 1973-74. However, its phasing out should begin immediately. No admissions applications for 1973-74 should be solicited or accepted. Even more immediately, faculty needs for the terminal year, 1973-74, when enrollment will be half the present level (if no new class is admitted), should be reviewed and notices of termination given those faculty members not required for the terminal year, as soon as possible, and in any case, not later than August 31, 1972.

School of Engineering and Science

During the weeks preceding the passage of the State legislation providing for the

charges for space use after the occupancy of Tisch Hall).

School of Law

The School of Law, like GBA and GPA, is currently in a surplus position, albeit modestly. Its income, direct instructional costs, and excess of income over direct costs are projected to change only slightly to 1974-75, but that change is a favorable one. As with GBA, the Law School's excess of income over direct costs is not all available to meet centrally budgeted indirect costs, since it directly provides a library and other costly services.

College of Dentistry

The budget plan presented to the Task Force by the College shows a more rapid increase in direct instructional and related (mainly Clinic) costs than in income. By 1974-75 the excess of income over direct costs will be only $100,000 or so above 1971-72 outlays for operation and maintenance of the existing Dental plant. We are persuaded that this excess will be insufficient to cover the likely plant costs — on existing buildings — in 1974-75, much less contribute anything for other costs, some of which are incurred at the Dental Center, not Washington Square. Therefore, we have set as a target for the College an excess of income over direct expense for "organized activities" of $1.4 million, over $400,000 greater than in the plan presented to us, to be achieved by appropriate adjustments of income and direct expense, mainly the latter.

Moreover, we are concerned with the financial impact of the proposed new building. Like all other schools, the College must present a detailed plan for covering, *in full*, both debt service and operating costs of the new building, before proceeding with the building. We fully realize that this requirement has not been set (or met) for other new buildings in recent years, but the University simply has no resources left to meet deficits on planned new buildings. Other divisions of the University cannot be called upon to dismiss faculty members in order to help finance new buildings, at the Dental Center or anywhere else. That seems to us far harsher than to require that the financial should be continued. Its discontinuance will permit a real and early saving of appreciable amounts; we estimate that elimination of the direct instructional cost deficit and the readily realized savings of space occupancy and central service costs would total $200,000 on the basis of 1971-72 experience.

The discontinuance of any school is a prospect that is difficult to contemplate, let alone recommend. It is especially difficult in the case of Social Work. We are mindful of the real and symbolic value of a school of social work in an urban university. The School does reach into the ghetto communities in important ways, training people who will be providing services directly to poverty-area residents and actually providing services right now, in the form of students doing field work in social agencies. Moreover, the proportions of its faculty and student body who are minority-group members or women are high relative to other schools at the University.

The Task Force has had oral and written consultations with the faculty and dean of the School. They have spoken eloquently and fervently of the social value of the School's effort. In addition, at our request, they have addressed the financial problems of and prospects for the School. We have been told that the clinical nature of social work instruction makes reduction in per student costs very hard to achieve, although marginal reductions stemming from some limited admission of part-time students to the didactic courses are expected next year and thereafter. Also, the School proposes to institute an undergraduate social work program with lower per student costs, but the overall improvement that this program will contribute to the School's finances has not been specified and may depend largely on the external funding that may or may not be forthcoming.

Therefore, the prospect for financial viability for the School seems to rest on increases in income from government sources for instructional programs (the one large new research program at present is only 50 percent financed from external sources) and receipts from gifts. We have been given budget projections premised on

sale of the University Heights campus, the Task Force did examine the finances of the School of Engineering and Science. We found that the School had been in a deficit position in most recent years and that its current and prospective deficits at University Heights were so large that we were prepared to recommend closing the Heights campus if there were no sale to the City or State. Under the terms of the State legislation, the University is required to enter negotiations immediately, directed at the merger of "appropriate programs" of the School of Engineering and Science into the Polytechnic Institute of Brooklyn. The Task Force therefore has found it very difficult to make any independent recommendations concerning the School, despite extensive consultations and analysis. However, we do not mean to preclude any feasible resolution of the future of the School and its faculty.

By feasible we mean to suggest that, if any engineering education is to be offered at Washington Square, it must be done under the fiscal guidelines set in this report: that is, income should be equal to 174 percent of direct instructional costs, with the 174 percent target adjusted up or down to reflect variations in space utilization and other indirect costs. It should be noted that instruction and research heavily dependent on laboratory facilities ordinarily will call for a target figure in excess of 174 percent. Thus, Engineering, like Arts and Science, Education and undergraduate Business Administration, would have to produce income in excess of 174 percent of direct costs, were it to start up at Washington Square. There would be, of course, substantial capital costs and space problems as well.

School of Continuing Education

The plans presented to the Task Force by the School provided for an adjusted improvement in its financial outcome of $263,000 between 1971-72 and 1974-75, of which more than half was accounted for by the elimination —or transfer to other accounts— of the deficits incurred by Town Hall and another small program not appropriately the sole responsibility of SCE. We agree with this latter adjust-

The budget plan presented to the Task Force by the College shows a more rapid increase in direct instructional and related (mainly Clinic) costs than in income. By 1974-75 the excess of income over direct costs will be only $100,000 or so above 1971-72 outlays for operation and maintenance of the existing Dental plant. We are persuaded that this excess will be insufficient to cover the likely plant costs — on existing buildings — in 1974-75, much less contribute anything for other costs, some of which are incurred at the Dental Center, not Washington Square. Therefore, we have set as a target for the College an excess of income over direct expense for "organized activities" of $1.4 million, over $400,000 greater than in the plan presented to us, to be achieved by appropriate adjustments of income and direct expense, mainly the latter.

Moreover, we are concerned with the financial impact of the proposed new building. Like all other schools, the College must present a detailed plan for covering, *in full*, both debt service and operating costs of the new building, before proceeding with the building. We fully realize that this requirement has not been set (or met) for other new buildings in recent years, but the University simply has no resources left to meet deficits on planned new buildings. Other divisions of the University cannot be called upon to dismiss faculty members in order to help finance new buildings, at the Dental Center or anywhere else. That seems to us far harsher than to require that the financial planning for new buildings guarantee their complete support, however dire the consequences of failing to construct new buildings.

Graduate School of Social Work

Like numerous other schools and departments at the University, the Graduate School of Social Work was enabled to expand its program considerably during the 1960's by a large infusion of government funds. As in other cases, government support has been severely cut back in the last few years. The financial results for Social Work have been especially severe, because most of the government support directly financed instruction, not research. This means not only loss of indirect cost recoveries and ancillary support, but also the need to transfer instructional salaries to the University's unrestricted funds budget, if the instructional program is to be maintained.

In consequence, the School is now operating with a large deficit. It is the only one of the University's schools and colleges that will not cover its direct cost of instruction from its income in 1971-72, and thus it will not be contributing *anything* for the use of space, communications services, personnel and payroll services, and the like, not to mention libraries and central overhead costs. On a fully allocated-cost basis its 1970-71 deficit was $285,000, roughly 37 percent of its income; the estimated deficit for 1971-72 is approximately $450,000, equivalent to 60 percent of its income. Relative to size or any other measure, this is by far the worst financial outcome among the University's schools.

The Task Force, therefore, has been compelled to consider whether the School

training people who will be providing services directly to poverty-area residents and actually providing services right now, in the form of students doing field work in social agencies. Moreover, the proportions of its faculty and student body who are minority-group members or women are high relative to other schools at the University.

The Task Force has had oral and written consultations with the faculty and dean of the School. They have spoken eloquently and fervently of the social value of the School's effort. In addition, at our request, they have addressed the financial problems of and prospects for the School. We have been told that the clinical nature of social work instruction makes reduction in per student costs very hard to achieve, although marginal reductions stemming from some limited admission of part-time students to the didactic courses are expected next year and thereafter. Also, the School proposes to institute an undergraduate social work program with lower per student costs, but the overall improvement that this program will contribute to the School's finances has not been specified and may depend largely on the external funding that may or may not be forthcoming.

Therefore, the prospect for financial viability for the School seems to rest on increases in income from government sources for instructional programs (the one large new research program at present is only 50 percent financed from external sources) and receipts from gifts. We have been given budget projections premised on large increases in income and gifts. The premises strike us as highly optimistic in view of experience in the recent past, in particular the premise that large continuing receipts from unrestricted gifts will be forthcoming for a school that never before has attracted significant amounts of gifts income.

In an earlier era—when the University could afford to meet the unanticipated deficits of one school from the surpluses generated by others—we might have urged acceptance of optimistic premises. However, since the University now has no financial elbow-room whatever, the proper course must be that of financial conservatism. Our appraisal, from that standpoint, is that the Graduate School of Social Work is likely to continue to produce deficits that are very large relative to its size, deficits that the University cannot sustain.

The Task Force reluctantly concludes that the School must be discontinued. Since a new class has been admitted for 1972-73 for the two-year program, the School cannot be discontinued until the end of 1973-74. However, its phasing out should begin immediately. No admissions applications for 1973-74 should be solicited or accepted. Even more immediately, faculty needs for the terminal year, 1973-74, when enrollment will be half the present level (if no new class is admitted), should be reviewed and notices of termination given those faculty members not required for the terminal year, as soon as possible, and in any case, not later than August 31, 1972.

School of Engineering and Science

During the weeks preceding the passage of the State legislation providing for the has found it very difficult to make any independent recommendations concerning the School, despite extensive consultations and analysis. However, we do not mean to preclude any feasible resolution of the future of the School and its faculty.

By feasible we mean to suggest that, if any engineering education is to be offered at Washington Square, it must be done under the fiscal guidelines set in this report: that is, income should be equal to 174 percent of direct instructional costs, with the 174 percent target adjusted up or down to reflect variations in space utilization and other indirect costs. It should be noted that instruction and research heavily dependent on laboratory facilities ordinarily will call for a target figure in excess of 174 percent. Thus, Engineering, like Arts and Science, Education and undergraduate Business Administration, would have to produce income in excess of 174 percent of direct costs, were it to start up at Washington Square. There would be, of course, substantial capital costs and space problems as well.

School of Continuing Education

The plans presented to the Task Force by the School provided for an adjusted improvement in its financial outcome of $263,000 between 1971-72 and 1974-75, of which more than half was accounted for by the elimination —or transfer to other accounts— of the deficits incurred by Town Hall and another small program not appropriately the sole responsibility of SCE. We agree with this latter adjustment and discuss Town Hall below. However, SCE will have a fully allocated-cost deficit of $700,000 in the current year (including Town Hall). In this light, we do *not* agree that the projected improvement is sufficient.

Moreover, we note that there is a marked discrepancy in the financial results of some of the SCE programs. SCE is not an integrated school with fully interdependent programs; we see no reason why the programs with poor results should be continued. Therefore, we have set a high standard for SCE: a target of income equal to just under 150 percent of direct costs. The dollar target is income of $5.8 million and direct expense of $3.9 million, the former above the School's projections and the latter below.

It is true that SCE does not utilize some of the more costly central services, like libraries, to an extent proportionate to its size. However, with the expansion of degree programs, this will become less so. In addition, it should be noted that SCE utilizes to an extent more than proportionate to its size other central services. We believe that Continuing Education programs *should* make a net fiscal contribution, above and beyond fully allocated costs, to the University. The experience with some of SCE's programs and with the off-campus programs of other schools in the University indicates that this is possible; in the University's current financial state, it is also necessary, however difficult.

Town Hall. Town Hall is really an auxiliary activity, rather than an SCE program. It has operated with substantial deficits in recent years, with an optimistically projected defict of $79,000 for the current year. It has a new director, who has attracted new business, grants and

considerable press attention to its programs. We are told that, by 1974-75, the deficit will be no more than $15,000. We find these projections optimistic and are concerned that the University will continue to be exposed to the much larger deficits that, perhaps, are more likely. Indeed, the prudent course for the University—to ensure against larger deficits—might be simply to shut down Town Hall (with the NYU Club continuing to operate as at present), in which case the deficit would be $15,000 or so, but a sure $15,000.

However, we are advised that Town Hall *can* be sold. We recommend that negotiations for sale be instituted immediately, preferably sale under terms which permit the continued operation of the NYU Club in its present location. Once again in this instance, we must put the case in terms of faculty positions: the income on the proceeds from sale of the property plus the deficit eliminated can finance at least three or four faculty positions.

Institute of Fine Arts

The Institute of Fine Arts is, of course, one of the most valued of the University's educational activities. But, like so many other activities, it operates at a deficit, estimated at somewhat over $200,000 this year, despite considerable success in attracting unrestricted gifts and endowment. We believe that the Institute has even more capability of attracting funds, and therefore our target is an excess of income and gifts over direct costs of $250,000, an improvement of $135,000 over 1971-72, one we think well within reach.

Institute of Afro-American Affairs

The Task Force recommends, as a general University policy, that all free-standing institutes be required to cover their direct costs, which the Afro-American Institute does not now do. The Institute's projections offer some encouragement, since they suggest a smaller deficit by 1974-75. Although we recognize the special claim of this Institute on the University's resources and in its priorities, we urge the director of the Institute to assume the responsibility for fund-raising for the Institute, with the goal of completely covering its direct costs by 1974-75. That is the target specified in Table 6.

Center for International Studies

The administrative and operating costs of the Center have been met from unrestricted University funds since its inception, while fellowship and programs costs have been met from (restricted) grants. Indeed, these were the terms under which the original foundation grants that led to the Center's creation

Operation and maintenance of plant	7.1 million
Student services (including deficits on dormitories)	5.5 million
General institutional expense and debt service	4.0 million
Central services (financial operations, personnel, purchasing, etc.)	3.6 million
Central administration (including Development Office)	2.4 million

Reductions in these expenses are by no means easy to achieve at this point in time. Some costs, like debt service, are simply fixed. In other cases, there are strong upward pressures —on operation and maintenance of plant costs, from the opening of new buildings, and on libraries costs, due to the opening of the Bobst Library. And, in general, there has been a fair amount of budget trimming during the past three years of austerity at the University. If the University's income were rising, it might be possible to balance the budget by holding central costs constant over the next few years. Such is not the case; we must find ways to substantially reduce the total indirect costs the schools and colleges must cover from the excess of income over their direct costs.

The cutbacks we propose are of two types. First, there are reductions that could and possibly should have been made two or three years ago —and were recommended by such bodies as the Commission on the Effective Use of Resources and the Senate Budget Policies Committee — but were deferred in the hopes that the financial performance of the individual operations (e.g., some of the auxiliary activities) could be improved by better management, or in the hopes that improvement in the University's overall financial position would obviate painful reductions. Second, there are reductions that are conceivable only in the financial crisis now at hand — reductions that involve important changes in the way the University functions.

As noted previously, the total indirect costs allocated to the schools and colleges are estimated at $32.6 million in the current year; without the University Heights campus, the figure would be $28.5 million. The reductions proposed here would produce savings of roughly $3.2 million, as summarized in Table 8. This may seem a modest sum, when compared to the scale of retrenchment required of some of the schools if they are to meet our financial targets. However, it is not modest, for it will require harsh and stringent economies even in the services

we believe that the net increase in lib costs can be held to roughly $900,0

In addition, there are possibilities greater use of space in Bobst for library purposes than had originally planned. For example, the delivery area might be used for receipt of Uni sity mail; the administrative space on top floors can be utilized for more U versity activities than originally plann and other space in the building migh utilized for faculty offices. This will directly reduce expenses, but it will mit reduction in total space use and fa itate the reduction in expenditures rent proposed below.

Operation and Maintenance of Pla

We have investigated carefully the p sibilities for reduction in outlays for t purpose. In view of the economies m in recent years and the opening of n buildings, it will be a considerable achie ment to hold operation and maintena of Plant outlays constant (aside from costs of Bobst) as we propose here.

However, a significant saving can made in total space occupancy costs curred by the University. At present, rent substantial space for University p poses in buildings not owned by the U versity; such outlays in the Washingt Square area amount to approximat $400,000. In addition, there are Univ sity activities housed in nonacaden buildings owned by the University, l apartments in Washington Square Villa Washington Mews, One Fifth Aven which could be rented to others and p duce income to the University, were t University functions all housed in spa without commercial alternatives; the re tal charge for such uses amounts to a other $400,000.

By very careful management it shou be possible to accommodate all such us within standard University buildings, pe mitting the saving of virtually th entire $800,000. There will be space r leased by the move of library facilities t Bobst; there is the non-library space Bobst itself (see above); the opening

INCOME AND "DIRECT" EXP
ESTIMA
(Dollar amo

(1)
Income and
Less Stude

Unit
Arts and Science:

the continued operation of the NYU Club in its present location. Once again in this instance, we must put the case in terms of faculty positions: the income on the proceeds from sale of the property plus the deficit eliminated can finance at least three or four faculty positions.

Institute of Fine Arts

The Institute of Fine Arts is, of course, one of the most valued of the University's educational activities. But, like so many other activities, it operates at a deficit, estimated at somewhat over $200,000 this year, despite considerable success in attracting unrestricted gifts and endowment. We believe that the Institute has even more capability of attracting funds, and therefore our target is an excess of income and gifts over direct costs of $250,000, an improvement of $135,000 over 1971-72, one we think well within reach.

Institute of Afro-American Affairs

The Task Force recommends, as a general University policy, that all free-standing institutes be required to cover their direct costs, which the Afro-American Institute does not now do. The Institute's projections offer some encouragement, since they suggest a smaller deficit by 1974-75. Although we recognize the special claim of this Institute on the University's resources and in its priorities, we urge the director of the Institute to assume the responsibility for fund-raising for the Institute, with the goal of completely covering its direct costs by 1974-75. That is the target specified in Table 6.

Center for International Studies

The administrative and operating costs of the Center have been met from unrestricted University funds since its inception, while fellowship and programs costs have been met from (restricted) grants. Indeed, these were the terms under which the original foundation grants that led to the Center's creation was made. The Center has done an outstanding job, but we believe that the University is no longer in a position to fund it from the unrestricted income of the schools. Therefore, we recommend that the budget from unrestricted funds be discontinued by 1974-75. The director of the Center has advised us that he sees no possibility of raising funds to cover the Center's substantial administrative costs (substantial in the sense that they exceed the administrative costs of some of the smaller schools of the University). Therefore, we assume —with regret— that our recommendation will result in the discontinuance of the Center.

III. REDUCTIONS IN THE COST OF CENTRAL SERVICES

"Central services" in this section refers to all expenses from unrestricted University funds other than the direct costs of instruction and closely related activities that show up in the budgets of the academic units. In 1971-72, the largest of such expenses —excluding costs incurred at University Heights and presumably avoided after 1972-73— were the following:

Libraries	$6.0 million

simply fixed. In other cases, there are strong upward pressures —on operation and maintenance of plant costs, from the opening of new buildings, and on libraries costs, due to the opening of the Bobst Library. And, in general, there has been a fair amount of budget trimming during the past three years of austerity at the University. If the University's income were rising, it might be possible to balance the budget by holding central costs constant over the next few years. Such is not the case; we must find ways to substantially reduce the total indirect costs the schools and colleges must cover from the excess of income over their direct costs.

The cutbacks we propose are of two types. First, there are reductions that could and possibly should have been made two or three years ago —and were recommended by such bodies as the Commission on the Effective Use of Resources and the Senate Budget Policies Committee — but were deferred in the hopes that the financial performance of the individual operations (e.g., some of the auxiliary activities) could be improved by better management, or in the hopes that improvement in the University's overall financial position would obviate painful reductions. Second, there are reductions that are conceivable only in the financial crisis now at hand — reductions that involve important changes in the way the University functions.

As noted previously, the total indirect costs allocated to the schools and colleges are estimated at $32.6 million in the current year; without the University Heights campus, the figure would be $28.5 million. The reductions proposed here would produce savings of roughly $3.2 million, as summarized in Table 8. This may seem a modest sum, when compared to the scale of retrenchment required of some of the schools if they are to meet our financial targets. However, it is not modest, for it will require harsh and stringent economies even in the services for which the dollar savings shown are zero. Moreover, the salary increase rule that we call for in the central services is a severe one: salary increases are to be absorbed by further economies, so that the dollar targets in Table 8 are to be adhered to rigorously.

Libraries

Opening of the Bobst Library will substantially raise the costs of the University's library system. Preliminary budget planning had suggested that in its first full year of operation, Bobst would increase direct library service costs by $700,000, over the costs of the library activities that will be moved into the building. In budget negotiations heretofore, that increase has been cut in half; we suggest further cuts of $275,000, by reducing main library hours by 10 percent and by reductions in personnel, binding, supplies and book acquisitions from the levels currently planned. However, the costs of operating and maintaining the building, security costs and full debt service costs, will amount to an estimated increase in expenditure of $950,000, above the 1971-72 levels. By stringent economies in library services and staffing, and in the office of the Dean of the Libraries,

Operation and Maintenance of Plan

We have investigated carefully the p sibilities for reduction in outlays for t purpose. In view of the economies ma in recent years and the opening of n buildings, it will be a considerable achie ment to hold operation and maintena of Plant outlays constant (aside from t costs of Bobst) as we propose here.

However, a significant saving can made in total space occupancy costs curred by the University. At present, rent substantial space for University p poses in buildings not owned by the U versity; such outlays in the Washingt Square area amount to approximat $400,000. In addition, there are Univ sity activities housed in nonacaden buildings owned by the University, l apartments in Washington Square Villa Washington Mews, One Fifth Aven which could be rented to others and p duce income to the University, were t University functions all housed in spa without commercial alternatives; the re tal charge for such uses amounts to a other $400,000.

By very careful management it shou be possible to accommodate all such us within standard University buildings, pe mitting the saving of virtually t entire $800,000. There will be space r leased by the move of library facilities Bobst; there is the non-library space Bobst itself (see above); the opening

INCOME AND "DIRECT" EXP
ESTIMA
(Dollar amo

Unit	(1) Income and Less Stude
Arts and Science:	
University College	6,211
Washington Sq.College	10,558
GSAS	6,114
Courant Institute	793
Subtotal, A & S	23,676
Education	11,935
Business Administration:	
GBA	5,018
College of Business & Public Administration	2,381
Subtotal, Bus.Admin.	7,399
School of the Arts	2,100
GPA	1,291
Law	4,178
Dentistry	3,555
Social Work	762
Engineering & Science	4,719
School of Continuing Ed.	5,528
Institute of Fine Arts	599
Afro American Institute	12
Center for International Studies	-
Institute of Retail Management	120
TOTAL	65,874

Note: Because of rounding, detail

a) Includes instruction and
organized research (Engin
public service (Education
activities (Law, SCE and

ions in the number of separate courses offered, and extra departmental controls

tivities and for specifically approved pro-

kgcs is necessary for a variety of reasons. The most mundane, but not least signifi-

to its pro-
1974-75, the
$15,000. We
stic and are
y will con-
much larger
e likely. In-
the Univer-
r deficits—
Town Hall
g to operate
the deficit
ure $15,000.

Town Hall
at negotia-
mmediately,
hich permit
NYU Club
gain in this
e in terms
me on the
perty plus
ice at least

of course,
niversity's
so many
a deficit,
0,000 this
ess in at-
ndowment.
has even
unds, and
ess of in-
of $250,-
,000 over
in reach.

fairs

as a gen-
ree-stand-
ver their
erican In-
Institute's
ragement,
deficit by
he special
iversity's
urge the
e the re-
the In-
ly cover-
That is

Operation and maintenance of plant	7.1 million
Student services (including deficits on dormitories)	5.5 million
General institutional expense and debt service	4.0 million
Central services (financial operations, personnel, purchasing, etc.)	3.6 million
Central administration (including Development Office)	2.4 million

Reductions in these expenses are by no means easy to achieve at this point in time. Some costs, like debt service, are simply fixed. In other cases, there are strong upward pressures —on operation and maintenance of plant costs, from the opening of new buildings, and on libraries costs, due to the opening of the Bobst Library. And, in general, there has been a fair amount of budget trimming during the past three years of austerity at the University. If the University's income were rising, it might be possible to balance the budget by holding central costs constant over the next few years. Such is not the case; we must find ways to substantially reduce the total indirect costs the schools and colleges must cover from the excess of income over their direct costs.

The cutbacks we propose are of two types. First, there are reductions that could and possibly should have been made two or three years ago —and were recommended by such bodies as the Commission on the Effective Use of Resources and the Senate Budget Policies Committee — but were deferred in the hopes that the financial performance of the individual operations (e.g., some of the auxiliary activities) could be improved by better management, or in the hopes that improvement in the University's overall financial position would obviate painful reductions. Second, there are reductions that are conceivable only in the financial crisis now at hand — reductions that involve important changes in the way the University functions.

As noted previously, the total indirect costs allocated to the schools and colleges are estimated at $32.6 million in

we believe that the net increase in library costs can be held to roughly $900,000.

In addition, there are possibilities for greater use of space in Bobst for non-library purposes than had originally been planned. For example, the delivery bay area might be used for receipt of University mail; the administrative space on the top floors can be utilized for more University activities than originally planned; and other space in the building might be utilized for faculty offices. This will not directly reduce expenses, but it will permit reduction in total space use and facilitate the reduction in expenditures for rent proposed below.

Operation and Maintenance of Plant

We have investigated carefully the possibilities for reduction in outlays for this purpose. In view of the economies made in recent years and the opening of new buildings, it will be a considerable achievement to hold operation and maintenance of Plant outlays constant (aside from the costs of Bobst) as we propose here.

However, a significant saving can be made in total space occupancy costs incurred by the University. At present, we rent substantial space for University purposes in buildings not owned by the University; such outlays in the Washington Square area amount to approximately $400,000. In addition, there are University activities housed in nonacademic buildings owned by the University, like apartments in Washington Square Village, Washington Mews, One Fifth Avenue, which could be rented to others and produce income to the University, were the University functions all housed in space without commercial alternatives; the rental charge for such uses amounts to another $400,000.

By very careful management it should be possible to accommodate all such uses within standard University buildings, permitting the saving of virtually the entire $800,000. There will be space released by the move of library facilities to Bobst; there is the non-library space in Bobst itself (see above); the opening of Tisch and Meyer Halls will also alleviate the space problem; and finally, the contraction in some of the academic and central service activities we propose will reduce total space needs. We propose prompt and rigorous action to affect this saving in rent payments and increase in rent income from outside sources. To support this action, the budgetary procedures we will suggest provide for inclusion of space rental charges in the *direct* budgets of *all* operating and academic divisions of the University; the responsible administrators will then be able to make rational decisions on space utilization, which is hardly the case at present.*

Student Services

Student services have been extensively investigated by the Task Force and, before us, by the Commission on the Effective Use of Resources. We are persuaded that large savings can be effected, some of them involving consolidation of separate offices rather than significant reduction in service provided:

1. Substantial savings will be achieved by centralization and consolidation of admissions, counseling and recording offices. We estimate that short-term savings of roughly $250,000 are readily attainable. Full automation of student records and registration will take some time, but will permit even larger savings (not included in Table 8).

2. Increases in fee schedules and operating economies in the Placement Service, International Student Center and Information Bureau can realize savings of nearly $200,000.

3. Consolidation of activities under the aegis of the Director of Student Affairs, including the transfer of most of the Resident Hall functions to this unit, together

*Pending the revision of budget procedures, we have not allowed for this in setting budget targets for the academic or operating units, in this report. Nor have we credited individual divisions with savings from reduced rental payments arising from a move into academic buildings. Such savings are real for the University as a whole, but fictitious for an individual unit, as long as it continues to occupy the same quality and quantity of space. An individual unit can claim savings on space costs only if it actually uses less space.

mply fixed. In other cases, there are strong upward pressures —on operation and maintenance of plant costs, from the opening of new buildings, and on librar-es costs, due to the opening of the Bobst Library. And, in general, there has been a fair amount of budget trimming during the past three years of austerity at the University. If the University's income were rising, it might be possible to bal-ance the budget by holding central costs constant over the next few years. Such s not the case; we must find ways to sub-tantially reduce the total indirect costs he schools and colleges must cover from he excess of income over their direct costs.

The cutbacks we propose are of two ypes. First, there are reductions that ould and possibly should have been made wo or three years ago —and were recom-ended by such bodies as the Commission n the Effective Use of Resources and the enate Budget Policies Committee — but ere deferred in the hopes that the finan-al performance of the individual opera-ons (e.g., some of the auxiliary activi-es) could be improved by better manage-ent, or in the hopes that improvement the University's overall financial posi-on would obviate painful reductions. Sec-nd, there are reductions that are con-ivable only in the financial crisis now hand — reductions that involve import-t changes in the way the University nctions.

As noted previously, the total in-rect costs allocated to the schools and lleges are estimated at $32.6 million in e current year; without the University eights campus, the figure would be $28.5 llion. The reductions proposed here ould produce savings of roughly $3.2 mil-n, as summarized in Table 8. This may em a modest sum, when compared to e scale of retrenchment required of me of the schools if they are to meet r financial targets. However, it is not odest, for it will require harsh and ringent economies even in the services r which the dollar savings shown are ro. Moreover, the salary increase rule at we call for in the central services is severe one: salary increases are to be sorbed by further economies, so that e dollar targets in Table 8 are to be hered to rigorously.

raries

Opening of the Bobst Library will sub-antially raise the costs of the Univer-y's library system. Preliminary budget anning had suggested that in its first l year of operation, Bobst would in-ease direct library service costs by 00,000, over the costs of the library ac-ities that will be moved into the build-g. In budget negotiations heretofore, at increase has been cut in half; we ggest further cuts of $275,000, by re-cing main library hours by 10 percent d by reductions in personnel, binding, pplies and book acquisitions from the els currently planned. However, the ts of operating and maintaining the lding, security costs and full debt ser-e costs, will amount to an estimated rease in expenditure of $950,000, above 1971-72 levels. By stringent economies library services and staffing, and in office of the Dean of the Libraries,

Operation and Maintenance of Plant

We have investigated carefully the possibilities for reduction in outlays for this purpose. In view of the economies made in recent years and the opening of new buildings, it will be a considerable achievement to hold operation and maintenance of Plant outlays constant (aside from the costs of Bobst) as we propose here.

However, a significant saving can be made in total space occupancy costs incurred by the University. At present, we rent substantial space for University purposes in buildings not owned by the University; such outlays in the Washington Square area amount to approximately $400,000. In addition, there are University activities housed in nonacademic buildings owned by the University, like apartments in Washington Square Village, Washington Mews, One Fifth Avenue, which could be rented to others and produce income to the University, were the University functions all housed in space without commercial alternatives; the rental charge for such uses amounts to another $400,000.

By very careful management it should be possible to accommodate all such uses within standard University buildings, permitting the saving of virtually the entire $800,000. There will be space released by the move of library facilities to Bobst; there is the non-library space in Bobst itself (see above); the opening of

Student Services

Student services have been extensively investigated by the Task Force and, before us, by the Commission on the Effective Use of Resources. We are persuaded that large savings can be effected, some of them involving consolidation of separate offices rather than significant reduction in service provided:

1. Substantial savings will be achieved by centralization and consolidation of admissions, counseling and recording offices. We estimate that short-term savings of roughly $250,000 are readily attainable. Full automation of student records and registration will take some time, but will permit even larger savings (not included in Table 8).

2. Increases in fee schedules and operating economies in the Placement Service, International Student Center and Information Bureau can realize savings of nearly $200,000.

3. Consolidation of activities under the aegis of the Director of Student Affairs, including the transfer of most of the Resident Hall functions to this unit, together

*Pending the revision of budget procedures, we have not allowed for this in setting budget targets for the academic or operating units, in this report. Nor have we credited individual divisions with savings from reduced rental payments arising from a move into academic buildings. Such savings are real for the University as a whole, but fictitious for an individual unit, as long as it continues to occupy the same quality and quantity of space. An individual unit can claim savings on space costs only if it actually uses less space.

Table 4

INCOME AND "DIRECT" EXPENSE OF THE EDUCATIONAL UNITS
ESTIMATED, 1971-72
(Dollar amounts in thousands)

Unit	(1) Income and Gifts Less Student Aid	(2) "Direct" Expense [a]	(3) (1) less (2)	(4) (1) as % of (2)
Arts and Science:				
University College	6,211	4,092	2,119	152%
Washington Sq.College	10,558	6,887	3,671	153
GSAS	6,114	4,821	1,293	127
Courant Institute	793	977	(184)	81
Subtotal, A & S	23,676	16,777	6,899	141
Education	11,935	6,964	4,971	171
Business Administration:				
GBA	5,018	3,117	1,901	161
College of Business & Public Administration	2,381	1,476	905	161
Subtotal, Bus.Admin.	7,399	4,593	2,806	161
School of the Arts	2,100	1,499	601	140
GPA	1,291	520	771	248
Law	4,178	2,363	1,815	177
Dentistry	3,555	2,433	1,122	146
Social Work	762	800	(38)	95
Engineering & Science	4,719	3,355	1,364	141
School of Continuing Ed.	5,528	4,627	901	119
Institute of Fine Arts	599	484	115	124
Afro American Institute	12	134	(122)	9
Center for International Studies	-	136	(136)	0
Institute of Retail Management	120	122	(2)	98
TOTAL	65,874	44,806	21,068	147%

Note: Because of rounding, detail may not add to totals.

a) Includes instruction and departmental research; Dental Clinic; organized research (Engineering and Courant); extension and public service (Education and SCE); and other organized activities (Law, SCE and Center for International Studies).

with a reduction in the scope of the Master program, will permit savings of nearly $300,000, compared with 1971-72 levels.

4. Finally, we endorse the proposal of the Griffiths subcommittee, made to the Commission on the Effective Use of Resources two years ago, that the Health Service be converted into an emergency and referral service with limited infirmary capacity, at a savings estimated at roughly $200,000.

Computer Centers

There are at present five major computer centers at this University: one based on a Univac 1108 at University Heights, which serves both administrative and academic users (and several other academic institutions as well); an IBM 360/40 for administrative uses at Washington Square; an IBM 360/50 for academic uses at the Square; the Courant Institute CDC 6600; and an IBM 360/40 at the Medical Center. The annual cost of the first three are $2.3 million, offset by $535,000 received from sponsored research and external sources (all but $10,000 at the Heights computer center), for a net cost to the University of nearly $1.8 million. The total expenditures of the other computer centers amount to another $1.7 million.

Each of the computer centers was established as a separate entity for reasons that were good and sufficient at the time. As separate entities, they and their users have developed distinctive configurations, operating procedures, software and biases, which have made consolidation into a smaller number of centers seem ever less feasible, however desirable in financial terms. The University, however, can no longer afford the luxury of expensive, separate operations, if substantial financial savings can be achieved through consolidation.

The Task Force has consulted with various people in the University connected with the different centers. We are assured that a considerable degree of consolidation *is* now feasible and that substantial savings in cost *can* be achieved; there is, however, considerable disagreement about the specifics of consolidation.

We propose the following:

1. The University must commit itself to consolidation of computer centers and take the steps to do so as rapidly as possible. The consolidation should be carried as far as possible, including, if at all feasible, the Courant Institute and Medical Center computer operations. At a minimum, the administrative and academic 360-based computer centers at Washington Square and the Heights computer center should be consolidated in one center.

2. The target for *minimum* net first-year savings should be $500,000. We believe that higher savings are possible, perhaps with foundation support for the one-time costs of consolidation and from extending the consolidation to include the Courant and Medical Center computer operations. An incentive for the participation for the Courant Institute could be the crediting of the savings from this participation against the very large current deficits of the Institute, which must be reduced under the Task Force's overall financial plan.

3. The management of the consolidated computer center must not be the responsibility of any major user. The center's functions should be:

(a) to maintain the operating systems and operating staff required to satisfy user needs; and

(b) to maintain the hardware and hardware environment.

The major users should participate in policy matters such as pricing and acquisition of hardware, but not in the day-to-day management of the center. The director of the center should report to the central administration like other heads of operating divisions. He should be charged with the mission of maximizing external use and support of the center, as well as serving internal users.

4. An independent consultant or consultants, not tied to any of the existing centers or to any hardware supplier, should be retained immediately to advise on the specifics of the consolidation plan. His brief should be limited and explicit and his assignment severely limited in time: we do not need advice as to whether there should be consolidation but a specific plan for effecting it.

Development and Public Relations Activities

The fund-rising, public relations and publications activities of the University involve expenditures of about $2.3 million in the current year (exclusive of charges to the Medical Center). The Task Force believes that these activities are highly effective, for New York University has been highly successful relative to all other private universities in its ability to raise both capital and current funds from private donors. However, in the present crisis, we believe that these operations offer opportunities for net savings.

Those savings should be of three types. First, most of the costs of these services should form part of the direct budgets of the schools, with the schools free to choose what services they wish to purchase; we assume that some reductions in service and cost would then occur. Second, these should be direct budget reductions in the portion of the costs of the services that continue to be centrally budgeted. Third, a greater focus on fund-raising directed at providing immediate budget relief (rather than capital gifts) should produce substantial additional gifts, part of which can be credited against the costs of development activities. We therefore propose effective budget reductions (including the crediting of additional gift income) totalling $1.25 million, to be effected by 1973-74.

Deficits in Auxiliary Activities

Virtually all the auxiliary activities run by the University operate at deficits despite energetic efforts in the past few years to overcome such deficits. Some of the auxiliary activities are very closely related indeed to the main academic missions of the University and their elimination would change the character of the institution. For example, there are deficits in the operation of student and faculty housing facilities, deficits that are hard to overcome because they reflect fixed debt service obligations, the vagaries of the rent control laws and similar factors. It is conceivable that the University could divest itself of all such facilities over a period of years. However, the construction and acquisition of dormitories and apartment houses, mostly quite recent, was the result of a deliberate policy to create a resident student and faculty body. The Task Force does *not* recommend the reversal of this policy.

However, some of the other auxiliary activities are not nearly so closely tied to the main purpose of the institution. Some are luxuries in this sense and in the sense that they duplicate services provided in this community by others, without University funds. Indeed, the competition with

Table 5

Heights, which serves both administrative and academic users (and several other academic institutions as well); an IBM 360/40 for administrative uses at Washington Square; an IBM 360/50 for academic uses at the Square; the Courant Institute CDC 6600; and an IBM 360/40 at the Medical Center. The annual cost of the first three are $2.3 million, offset by $535,000 received from sponsored research and external sources (all but $10,000 at the Heights computer center), for a net cost to the University of nearly $1.8 million. The total expenditures of the other computer centers amount to another $1.7 million.

Each of the computer centers was established as a separate entity for reasons that were good and sufficient at the time. As separate entities, they and their users have developed distinctive configurations, operating procedures, software and biases, which have made consolidation into a smaller number of centers seem ever less feasible, however desirable in financial terms. The University, however, can no longer afford the luxury of expensive, separate operations, if substantial financial savings can be achieved through consolidation.

The Task Force has consulted with various people in the University connected with the different centers. We are assured that a considerable degree of consolidation *is* now feasible and that substantial savings in cost *can* be achieved; there is, however, considerable disagreement about the specifics of consolidation.

We propose the following:

1. The University must commit itself to consolidation of computer centers and operations. An incentive for the participation for the Courant Institute could be the crediting of the savings from this participation against the very large current deficits of the Institute, which must be reduced under the Task Force's overall financial plan.

3. The management of the consolidated computer center must not be the responsibility of any major user. The center's functions should be:

(a) to maintain the operating systems and operating staff required to satisfy user needs; and

(b) to maintain the hardware and hardware environment.

The major users should participate in policy matters such as pricing and acquisition of hardware, but not in the day-to-day management of the center. The director of the center should report to the central administration like other heads of operating divisions. He should be charged with the mission of maximizing external use and support of the center, as well as serving internal users.

4. An independent consultant or consultants, not tied to any of the existing centers or to any hardware supplier, should be retained immediately to advise on the specifics of the consolidation plan. His brief should be limited and explicit and his assignment severely limited in time: we do not need advice as to whether there should be consolidation but a specific plan for effecting it.

Development and Public Relations Activities

The fund-rising, public relations and publications activities of the University

Table 5

SUMMARY OF TASK FORCE TARGETS FOR THE UNIVERSITY BUDGET FOR 1974-75 AND COMPARISON TO 1971-72 ESTIMATED RESULTS[a]

(Dollar amounts in millions)

	Target, 1974-75[b]		Estimated, 1971-72[c]	
	Amount	Percent of Direct Costs[d]	Amount	Percent of Direct Costs[d]
1. Income of the Academic Units[e]	59.6	174%	65.9	147%
2. Direct Instructional and Related Expenses	34.3	100%	44.8	100%
3. Excess of Income over Direct Costs (1 - 2)	25.3	74%	21.1	47%
4. Indirect Costs Allocated to the Academic Units[f]	25.3	74%	32.6	73%
5. Short-fall (4 - 3)	--	--	11.5	26%

[a] Excluding the Medical Center and all income and expense from restricted funds.

[b] Assuming no change in tuition or salary levels from 1971-72; excludes University Heights.

[c] Includes University Heights.

[d] "Direct costs" as in line 2.

[e] Income and unrestricted gifts less unfunded student aid.

[f] Centrally budgeted expenses net of income and gifts generated centrally, rather than by the schools.

chase; we assume that some reductions in service and cost would then occur. Second, these should be direct budget reductions in the portion of the costs of the services that continue to be centrally budgeted. Third, a greater focus on fund-raising directed at providing immediate budget relief (rather than capital gifts) should produce substantial additional gifts, part of which can be credited against the costs of development activities. We therefore propose effective budget reductions (including the crediting of additional gift income) totalling $1.25 million, to be effected by 1973-74.

Deficits in Auxiliary Activities

Virtually all the auxiliary activities run by the University operate at deficits despite energetic efforts in the past few years to overcome such deficits. Some of the auxiliary activities are very closely related indeed to the main academic missions of the University and their elimination would change the character of the institution. For example, there are deficits in the operation of student and faculty housing facilities, deficits that are hard to overcome because they reflect fixed debt service obligations, the vagaries of the rent control laws and similar factors. It is conceivable that the University could divest itself of all such facilities over a period of years. However, the construction and acquisition of dormitories and apartment houses, mostly quite recent, was the result of a deliberate policy to create a resident student and faculty body. The Task Force does *not* recommend the reversal of this policy.

However, some of the other auxiliary activities are not nearly so closely tied to the main purpose of the institution. Some are luxuries in this sense and in the sense that they duplicate services provided in this community by others, without University funds. Indeed, the competition with non-University services is the principal reason that they lose money. We find it difficult to see why the University should continue to subsidize such activities as restaurants and bookstores if there are ready substitutes at hand.

In one area, retrenchment has already occurred: the Top of the Park restaurant has been closed and the Faculty Club at Washington Square told that it will not receive any further cash subsidy, for a combined saving of perhaps $30,000 compared with 1971-72.

Other candidates for elimination are the bookstore at Washington Square and the New York University Press, which together are estimated to yield a deficit of $130,000 this year. In both cases, the incumbent directors are resourceful. The director of the bookstore has succeeded in reducing the losses. Both directors are confident that the activities can be operated with a zero deficit in coming years. However, the deficits have been large in the past and the continued exposure of the University to losses is considerable. We believe that this exposure should be ended expeditiously. In both cases, the possibility of separating the activity from the University should be acted upon. The bookstore at Washington Square should be converted to a concessionaire-type of operation, and the University Press should

take the steps to do so as rapidly as possible. The consolidation should be carried as far as possible, including, if at all feasible, the Courant Institute and Medical Center computer operations. At a minimum, the administrative and academic 360-based computer centers at Washington Square and the Heights computer center should be consolidated in one center.

2. The target for *minimum* net first-year savings should be $500,000. We believe that higher savings are possible, perhaps with foundation support for the one-time costs of consolidation and from extending the consolidation to include the Courant and Medical Center computer operations. An incentive for the participation for the Courant Institute could be the crediting of the savings from this participation against the very large current deficits of the Institute, which must be reduced under the Task Force's overall financial plan.

3. The management of the consolidated computer center must not be the responsibility of any major user. The center's functions should be:

(a) to maintain the operating systems and operating staff required to satisfy user needs; and

(b) to maintain the hardware and hardware environment.

The major users should participate in policy matters such as pricing and acquisition of hardware, but not in the day-to-day management of the center. The director of the center should report to the central administration like other heads of operating divisions. He should be charged with the mission of maximizing external use and support of the center, as well as serving internal users.

4. An independent consultant or consultants, not tied to any of the existing centers or to any hardware supplier, should be retained immediately to advise on the specifics of the consolidation plan. His brief should be limited and explicit and his assignment severely limited in time: we do not need advice as to whether there should be consolidation but a specific plan for effecting it.

involve expenditures of about $2.3 million in the current year (exclusive of charges to the Medical Center). The Task Force believes that these activities are highly effective, for New York University has been highly successful relative to all other private universities in its ability to raise both capital and current funds from private donors. However, in the present crisis, we believe that these operations offer opportunities for net savings.

Those savings should be of three types. First, most of the costs of these services should form part of the direct budgets of the schools, with the schools free to choose what services they wish to purchase; we assume that some reductions in service and cost would then occur. Second, these should be direct budget reductions in the portion of the costs of the services that continue to be centrally budgeted. Third, a greater focus on fund-raising directed at providing immediate budget relief (rather than capital gifts) should produce substantial additional gifts, part of which can be credited against the costs of development activities. We therefore propose effective budget reductions (including the crediting of additional gift income) totalling $1.25 million, to be effected by 1973-74.

Deficits in Auxiliary Activities

Virtually all the auxiliary activities run by the University operate at deficits despite energetic efforts in the past few years to overcome such deficits. Some of the auxiliary activities are very closely related indeed to the main academic missions of the University and their elimination would change the character of the institution. For example, there are deficits in the operation of student and faculty housing facilities, deficits that are hard to overcome because they reflect fixed debt service obligations, the vagaries of the rent control laws and similar factors. It is conceivable that the University could divest itself of all such facilities over a period of years. However, the construction and acquisition of dormitories and apartment houses, mostly quite recent, was the result of a deliberate policy to create a resident student and faculty body. The

be operated as a separate nonprofit corporation (without any University contingent liability) or eliminated entirely.

Other Central Services and Central Administration

We estimate that roughly $475,000 can be saved in the operations of other centrally budgeted services. Perhaps $200,000 of this total is reflected in the 1972-73 budget. Beyond this, we believe that further savings are possible in the Treasurer and Controller's Division, through reorganization of some of the offices of central administration and by eliminating our nonacademic presence at Sterling Forest.

IV. PROSPECTS FOR ADDITIONAL INCOME

We noted early in this report that the 1974-75 budget plan developed by the Task Force is barely balanced despite heavy cutbacks, with room for salary increases (or abatement of the cutbacks) only to the extent that additional income can be generated. It is, therefore, of the greatest importance that possibilities for generating additional income be exploited vigorously.

Tuition and Student Aid Policies

In the graduate and professional schools, modest increases in tuition by 1974-75 would not be unreasonable. More immediately, we believe that, in the professional schools where the present tuition for full-time students is effectively below the standard $2,700 full-time tuition level, tuition should be raised to the standard level. Demand for admission to our professional schools is strong, and the modest increases in income resulting from this step should not be ignored.

We are much more cautious about undergraduate tuition policy and have made our calculations on the basis of a continuation of the $2,700 level through 1974-75, a four-year freeze in tuition. Given rising prices and incomes in our society, this could amount to a reduction in the real cost of tuition at New York University. Perhaps more important, the pros-

operations. An incentive for the participation for the Courant Institute could be the crediting of the savings from this participation against the very large current deficits of the Institute, which must be reduced under the Task Force's overall financial plan.

3. The management of the consolidated computer center must not be the responsibility of any major user. The center's functions should be:

(a) to maintain the operating systems and operating staff required to satisfy user needs; and

(b) to maintain the hardware and hardware environment.

The major users should participate in policy matters such as pricing and acquisition of hardware, but not in the day-to-day management of the center. The director of the center should report to the central administration like other heads of operating divisions. He should be charged with the mission of maximizing external use and support of the center, as well as serving internal users.

4. An independent consultant or consultants, not tied to any of the existing centers or to any hardware supplier, should be retained immediately to advise on the specifics of the consolidation plan. His brief should be limited and explicit and his assignment severely limited in time: we do not need advice as to whether there should be consolidation but a specific plan for effecting it.

Development and Public Relations Activities

The fund-rising, public relations and publications activities of the University

ble 5

ETS FOR THE UNIVERSITY BUDGET
TO 1971-72 ESTIMATED RESULTS[a]
nts in millions)

arget, 1974-75[b]		Estimated, 1971-72[c]	
nt	Percent of Direct Costs[d]	Amount	Percent of Direct Costs[d]
6	174%	65.9	147%
3	100%	44.8	100%
3	74%	21.1	47%
3	74%	32.6	73%
-	--	11.5	26%

income and expense from restricted funds.

lary levels from 1971-72; excludes Univer-

nfunded student aid.

ncome and gifts generated centrally,

chase; we assume that some reductions in service and cost would then occur. Second, these should be direct budget reductions in the portion of the costs of the services that continue to be centrally budgeted. Third, a greater focus on fund-raising directed at providing immediate budget relief (rather than capital gifts) should produce substantial additional gifts, part of which can be credited against the costs of development activities. We therefore propose effective budget reductions (including the crediting of additional gift income) totalling $1.25 million, to be effected by 1973-74.

Deficits in Auxiliary Activities

Virtually all the auxiliary activities run by the University operate at deficits despite energetic efforts in the past few years to overcome such deficits. Some of the auxiliary activities are very closely related indeed to the main academic missions of the University and their elimination would change the character of the institution. For example, there are deficits in the operation of student and faculty housing facilities, deficits that are hard to overcome because they reflect fixed debt service obligations, the vagaries of the rent control laws and similar factors. It is conceivable that the University could divest itself of all such facilities over a period of years. However, the construction and acquisition of dormitories and apartment houses, mostly quite recent, was the result of a deliberate policy to create a resident student and faculty body. The Task Force does *not* recommend the reversal of this policy.

However, some of the other auxiliary activities are not nearly so closely tied to the main purpose of the institution. Some are luxuries in this sense and in the sense that they duplicate services provided in this community by others, without University funds. Indeed, the competition with non-University services is the principal reason that they lose money. We find it difficult to see why the University should continue to subsidize such activities as restaurants and bookstores if there are ready substitutes at hand.

In one area, retrenchment has already occurred: the Top of the Park restaurant has been closed and the Faculty Club at Washington Square told that it will not receive any further cash subsidy, for a combined saving of perhaps $30,000 compared with 1971-72.

Other candidates for elimination are the bookstore at Washington Square and the New York University Press, which together are estimated to yield a deficit of $130,000 this year. In both cases, the incumbent directors are resourceful. The director of the bookstore has succeeded in reducing the losses. Both directors are confident that the activities can be operated with a zero deficit in coming years. However, the deficits have been large in the past and the continued exposure of the University to losses is considerable. We believe that this exposure should be ended expeditiously. In both cases, the possibility of separating the activity from the University should be acted upon. The bookstore at Washington Square should be converted to a concessionaire-type of operation, and the University Press should

IV. PROSPECTS FOR ADDITIONAL INCOME

We noted early in this report that the 1974-75 budget plan developed by the Task Force is barely balanced despite heavy cutbacks, with room for salary increases (or abatement of the cutbacks) only to the extent that additional income can be generated. It is, therefore, of the greatest importance that possibilities for generating additional income be exploited vigorously.

Tuition and Student Aid Policies

In the graduate and professional schools, modest increases in tuition by 1974-75 would not be unreasonable. More immediately, we believe that, in the professional schools where the present tuition for full-time students is effectively below the standard $2,700 full-time tuition level, tuition should be raised to the standard level. Demand for admission to our professional schools is strong, and the modest increases in income resulting from this step should not be ignored.

We are much more cautious about undergraduate tuition policy and have made our calculations on the basis of a continuation of the $2,700 level through 1974-75, a four-year freeze in tuition. Given rising prices and incomes in our society, this could amount to a reduction in the real cost of tuition at New York University. Perhaps more important, the prospect is that competitive institutions will be raising undergraduate tuition during this period. By 1974-75, most of the high-prestige colleges may have tuition rates in excess of $3,500. Also, tuition at state universities in the Northeastern States is likely to rise significantly. In terms of cost, undergraduate education at NYU should become increasingly attractive, with a fixed tuition level here. Moreover, new State legislation liberalizing access to low-interest loans and pending Federal legislation along the same lines can be of special importance to this University, in the light of the income characteristics of the families that constitute our principal markets.

The Task Force has considered the possible financial impact of a large reduction in undergraduate tuition, say, a cut to $2,200 a year. There is little doubt that such a reduction would produce a significant rise in enrollments. Quantification of this is very difficult, but our estimates suggest that the net outcome of a large tuition cut will depend on the reduction in financial aid associated with the cut. If the total amount of financial aid is reduced no more than proportionately, then the prospect is that net tuition income would not be significantly increased by the combination of actions.

In any event, the risk of actual loss of income is considerable and the University is in no position to take such a risk. However, we are unwilling to abandon consideration of tuition reduction as a possible course of action. Therefore, we suggest two alternatives for further—and immediate—exploration. One is to try the tuition reduction-student aid reduction selectively, in those undergraduate divisions where enrollment has been declining and

Table 6

TARGETS FOR FINANCIAL PERFORMANCE OF THE ACADEMIC UNITS, 1974-75
(Dollar amounts in thousands)

Unit	Net Income Less "Direct" Expense[a]	Change from 1971-72 (in $)	Net Income as % of "Direct" Expense	Change from 1971-72 (in percentage points)
Arts & Science[b]	8,920	+2,021	181%	+40
Education	5,300	+329	179	+8
Business Administration[c]	3,650	+844	175	+14
School of the Arts	950	+349	153	+13
GPA	850	+79	245	-3
Law	2,050	+235	192	+15
Dentistry	1,400	+278	152	+6
Social Work[d]	0	+38	N.C.	N.C.
Engineering & Science[e]	N.C.	N.C.	N.C.	N.C.
School of Continuing Ed	1,900	+999	149	+25
Institute of Fine Arts	250	+135	150	+26
Afro-American Institute	0	+122	100	+100
Center for Internat'l Studies[f]	0	+136	N.C.	N.C.
TOTAL	25,270	+5,565	174%	+27

N.C. -- Not calculated (see notes below)

[a] Net income = Income and gifts of the schools, less unfunded student aid. "Direct" expense as defined in Table 1. Assumes salaries and tuition unchanged, at 1971-72 levels.

[b] Includes Courant Institute and University Without Walls.

[c] Includes Institute of Retail Management.

[d] Assumes discontinuance of the School, as recommended in the text.

[e] No calculations are made for the School of Engineering and Science. We assume that any Engineering work done at Washington Square will be operated on a fully-compensatory fiscal basis (see text).

[f] Assumes no funding of the Center from unrestricted University funds; we are told that this will require discontinuance of the Center (see text).

the ratio of unfunded student aid to total tuition income from full-time students is very high, specifically the School of Education and the College of Business and Public Administration. There are numerous difficulties with such a policy, but it should not be dismissed out-of-hand.

A second course would be to seek a foundation guarantee against possible loss from the institution of a large across-the-board tuition reduction; the hope, of course, would be that the cost to the foundation would be zero. The argument for such a guarantee is twofold: (a) we would be conducting an experiment to determine the sensitivity of enrollment to tuition changes, an experiment of value to the entire private sector of higher education; and (b) this University cannot afford the risk of loss, to learn something

sities, and the need to expand minority group training at graduate and professional levels remains great. If such a policy were adopted, we would be exploiting a major strength of the University, its varied and high quality professional schools. Finally, one of the ironies at New York University is the fact that at least half of the undergraduate student body at Washington Square is comprised of transfer students. Whereas there is a rather elaborate recruitment program and exceedingly generous scholarship aid for freshmen, transfer students are not recruited and, with the exception of BPA, get very little aid. It is suggested that there be a shift in priorities so that a larger portion of undergraduate scholarship aid be directed to transfer students. This fact should be widely publicized.

bined and accelerated undergraduate graduate degree programs might also b desirable. One estimate, for example, i that a highly accelerated combination o undergraduate liberal arts and graduat urban planning degree work could attrac a minimum of one hundred additional full time undergraduate students on a steady state basis.

It is further recommended that the Uni versity experiment with a "special stu dent" category. Such students would b non-matriculated persons who wished t take courses for particular nondegree rea sons. For instance, teachers frequently nee a course in reading, or they need to be come proficient in Spanish, or they wis to learn about new developments in teach ing mathematics. It is recommended tha they be allowed to take courses whic

School of Continuing Ed	1,900	+999	149	+25
Institute of Fine Arts	250	+135	150	+26
Afro-American Institute	0	+122	100	+100
Center for Internat'l Studies[f]	0	+136	N.C.	N.C.
TOTAL	25,270	+5,565	174%	+27

N.C. -- Not calculated (see notes below)

[a] Net income = Income and gifts of the schools, less unfunded student aid. "Direct" expense as defined in Table 1. Assumes salaries and tuition unchanged, at 1971-72 levels.

[b] Includes Courant Institute and University Without Walls.

[c] Includes Institute of Retail Management.

[d] Assumes discontinuance of the School, as recommended in the text.

[e] No calculations are made for the School of Engineering and Science. We assume that any Engineering work done at Washington Square will be operated on a fully-compensatory fiscal basis (see text).

[f] Assumes no funding of the Center from unrestricted University funds; we are told that this will require discontinuance of the Center (see text).

the ratio of unfunded student aid to total tuition income from full-time students is very high, specifically the School of Education and the College of Business and Public Administration. There are numerous difficulties with such a policy, but it should not be dismissed out-of-hand.

A second course would be to seek a foundation guarantee against possible loss from the institution of a large across-the-board tuition reduction; the hope, of course, would be that the cost to the foundation would be zero. The argument for such a guarantee is twofold: (a) we would be conducting an experiment to determine the sensitivity of enrollment to tuition changes, an experiment of value to the entire private sector of higher education; and (b) this University cannot afford the risk of loss, to learn something that would be of value only to other institutions, if the experiment fails. We recommend that foundations be approached promptly to explore this possibility.

Whatever the tuition policy, the University's student aid policies are in need of review. The University's total unfunded student aid (tuition remission and cash awards) is now extraordinarily high, relative to other universities. This was not a carefully planned development, for student aid rose while the funding for it declined. For example, in 1968-69 when Martin Luther King, Jr. Scholarship Awards were one million dollars, nearly 30 percent of the total was funded from contributions; in 1971-72, the much larger total of $1.8 million dollars is entirely unfunded. In addition, other circumstances have changed greatly in the past few years. Open enrollment at the City University makes it possible for any resident of New York City to receive a college education without cost, thus reducing the obligation of private universities to provide scholarship aid to New York City residents. Moreover, since the Martin Luther King, Jr. Scholarship program was instituted, the undergraduate enrollment at New York University has declined, and it is projected that there will be further declines by 1974-75, the target year for a balanced budget.

One possible outcome of a review of tuition policies is a decision to concentrate more of our student aid for minority group students at the graduate and professional levels. There is no such thing as open enrollment at zero tuition at other universities, and the need to expand minority group training at graduate and professional levels remains great. If such a policy were adopted, we would be exploiting a major strength of the University, its varied and high quality professional schools. Finally, one of the ironies at New York University is the fact that at least half of the undergraduate student body at Washington Square is comprised of transfer students. Whereas there is a rather elaborate recruitment program and exceedingly generous scholarship aid for freshmen, transfer students are not recruited and, with the exception of BPA, get very little aid. It is suggested that there be a shift in priorities so that a larger portion of undergraduate scholarship aid be directed to transfer students. This fact should be widely publicized.

Educational Innovation

We believe that there are real possibilities of generating increased income from new educational programs, such as some of those proposed by the Commission on Undergraduate Education. It is difficult to be a prophet, particularly if one tries to predict in an area such as higher education. But New York University must attempt to predict the nature and interests of its clientele, or, in the language of business, to do more systematic market research.

One educational proposal to be seriously considered is a Weekend College for fully employed New Yorkers. Over 2,000 persons responded to the University Without Walls announcement, but apparently the respondents were more interested in a degree program that did not require them to meet throughout the week than they were in the specific educational point of view of UWW. The Weekend College would operate on Friday, Saturday, and Sunday, and it should offer a baccalaureate degree in as short a time as possible. If maximum use is made of the college-level examination program and the college proficiency examination, and a judicious amount of credit is given for experience, then it might be possible to give a degree in as little as two years,

A very low-cost innovation would be a formally structured Antioch-type work-study program (individual students in fact do this even now, on an informal basis, with no real placement and course programming machinery). Expansion of combined and accelerated undergraduate-graduate degree programs might also be desirable. One estimate, for example, is that a highly accelerated combination of undergraduate liberal arts and graduate urban planning degree work could attract a minimum of one hundred additional full-time undergraduate students on a steady-state basis.

It is further recommended that the University experiment with a "special student" category. Such students would be non-matriculated persons who wished to take courses for particular nondegree reasons. For instance, teachers frequently need a course in reading, or they need to become proficient in Spanish, or they wish to learn about new developments in teaching mathematics. It is recommended that they be allowed to take courses which cannot be used toward a degree at rates set by individual schools. These students would have to meet the same admissions requirements as those matriculating for a degree.

There are possibilities at the graduate level. Some departments badly neglect—even discourage—terminal master's degree students, despite the large continuing demand for terminal master's degrees in the New York area. Some departments even neglect to award master's degrees to doctoral students who satisfy the posted requirements for the master's degree, despite the financial loss to the University and the advantage to the student of having a graduate degree while working toward the doctorate. More generally, departments can better serve both the University's finances and students by eliminating avoidable delays and administrative obstacles to completion of graduate degrees. Finally, there are possibilities in other schools analogous to the post-master's Advanced Professional Certificate program just instituted by the Graduate School of Business Administration.

V. RULES, STRUCTURES AND PROCEDURES FOR IMPLEMENTING THE PLAN

No plan, let alone a plan that calls for retrenchment and sacrifice, is self-executing. In this section, we propose a set of rules to govern academic and administrative decisions with significant fiscal consequences; we discuss at some

Table 6

GETS FOR FINANCIAL PERFORMANCE OF THE ACADEMIC UNITS, 1974-75
(Dollar amounts in thousands)

Net Income Less "Direct" Expense[a]	Change from 1971-72 (in $)	Net Income as % of "Direct" Expense	Change from 1971-72 (in percentage points)
8,920	+2,021	181%	+40
5,300	+329	179	+8
3,650	+844	175	+14
950	+349	153	+13
850	+79	245	-3
2,050	+235	192	+15
1,400	+278	152	+6
0	+38	N.C.	N.C.
N.C.	N.C.	N.C.	N.C.
1,900	+999	149	+25
250	+135	150	+26
0	+122	100	+100
0	+136	N.C.	N.C.
25,270	+5,565	174%	+27

ee notes below)

gifts of the schools, less unfunded student aid. "Direct" expense as defined
laries and tuition unchanged, at 1971-72 levels.

ute and University Without Walls.

etail Management.

of the School, as recommended in the text.

e for the School of Engineering and Science. We assume that any Engineering
Square will be operated on a fully-compensatory fiscal basis (see text).

he Center from unrestricted University funds; we are told that this will
of the Center (see text).

to total
dents is
of Ed-
ess and
numer-
y, but it
d.

seek a
sible loss
ross-the-
hope, of
to the
rgument
(a) we
t to de-
ment to
f value
her ed-

sities, and the need to expand minority group training at graduate and professional levels remains great. If such a policy were adopted, we would be exploiting a major strength of the University, its varied and high quality professional schools. Finally, one of the ironies at New York University is the fact that at least half of the undergraduate student body at Washington Square is comprised of transfer students. Whereas there is a rather elaborate recruitment program and exceedingly generous scholarship aid for freshmen, transfer students are not recruited and, with the exception of BPA, get very little aid. It is suggested that there be a shift in priorities so that a larger portion of undergraduate scholar-

bined and accelerated undergraduate-graduate degree programs might also be desirable. One estimate, for example, is that a highly accelerated combination of undergraduate liberal arts and graduate urban planning degree work could attract a minimum of one hundred additional full-time undergraduate students on a steady-state basis.

It is further recommended that the University experiment with a "special student" category. Such students would be non-matriculated persons who wished to take courses for particular nondegree reasons. For instance, teachers frequently need a course in reading, or they need to become proficient in Spanish, or they wish to learn about new develo-

length the restructuring of the academic divisions involved in undergraduate education noted earlier in this report; we suggest some changes in the structure of central management of the University; we propose new budget-making procedures and timetables; and, finally, we offer some guidelines to use in accomplishing the necessary reduction in the size of the faculty.

Decision Rules for a Solvent University

Our plan proposes some major structural changes in the University, changes that are designed to reduce or eliminate educational activities involving significant financial drains, to preserve and foster educational quality while costs are being reduced substantially and to exploit opportunities for protecting or increasing the income generated by the educational divisions. In addition, we propose specific economies in both the educational divisions and the central service divisions.

In order to facilitate the restructuring, to actually realize the cost savings made possible by the restructuring and to prevent back-sliding during the time necessary to return the University's finances to a satisfactory position, we propose the adoption of a series of University-wide rules for decisions on staffing, budgeting and educational planning, decision rules that are strongly enforced *without exception* except for the most compelling of reasons. These rules cannot be viewed as temporary responses to the financial emergency. Instead, they represent the conditions under which the University must operate, for the forseeable future, if it is to survive.

1. No further construction or major rehabilitation work should be permitted to proceed without *full* financing of the costs in hand, including funds to cover the incremental costs of operation and maintenance of plant.

2. No further commitments for student aid programs or non-income producing educational activities, however prestigious, should be undertaken without full external financing. "Full external financing," for educational activities means coverage of direct expenses and a reasonable allowance

1,900	+999	N.C. 149	N.C. +25
250	+135	150	+26
0	+122	100	+100
0	+136	N.C.	N.C.
25,270	+5,565	174%	+27

notes below)

fts of the schools, less unfunded student aid. "Direct" expense as defined ies and tuition unchanged, at 1971-72 levels.

and University Without Walls.

il Management.

the School, as recommended in the text.

or the School of Engineering and Science. We assume that any Engineering uare will be operated on a fully-compensatory fiscal basis (see text).

Center from unrestricted University funds; we are told that this will he Center (see text).

total ts is Ed- and mer- ut it

ek a loss s-the- e, of the ment we o de- t to alue ed- nnot hing r in- e re- ched

Uni- need und- cash re- not stu- r it when rship early from rger un- nces few Uni- dent llege the pro- City rtin was ment and ther for

tui- rate roup onal en- ver-

sities, and the need to expand minority group training at graduate and professional levels remains great. If such a policy were adopted, we would be exploiting a major strength of the University, its varied and high quality professional schools. Finally, one of the ironies at New York University is the fact that at least half of the undergraduate student body at Washington Square is comprised of transfer students. Whereas there is a rather elaborate recruitment program and exceedingly generous scholarship aid for freshmen, transfer students are not recruited and, with the exception of BPA, get very little aid. It is suggested that there be a shift in priorities so that a larger portion of undergraduate scholarship aid be directed to transfer students. This fact should be widely publicized.

Educational Innovation

We believe that there are real possibilities of generating increased income from new educational programs, such as some of those proposed by the Commission on Undergraduate Education. It is difficult to be a prophet, particularly if one tries to predict in an area such as higher education. But New York University must attempt to predict the nature and interests of its clientele, or, in the language of business, to do more systematic market research.

One educational proposal to be seriously considered is a Weekend College for fully employed New Yorkers. Over 2,000 persons responded to the University Without Walls announcement, but apparently the respondents were more interested in a degree program that did not require them to meet throughout the week than they were in the specific educational point of view of UWW. The Weekend College would operate on Friday, Saturday, and Sunday, and it should offer a baccalaureate degree in as short a time as possible. If maximum use is made of the college-level examination program and the college proficiency examination, and a judicious amount of credit is given for experience, then it might be possible to give a degree in as little as two years,

A very low-cost innovation would be a formally structured Antioch-type work-study program (individual students in fact do this even now, on an informal basis, with no real placement and course programming machinery). Expansion of combined and accelerated undergraduate-graduate degree programs might also be desirable. One estimate, for example, is that a highly accelerated combination of undergraduate liberal arts and graduate urban planning degree work could attract a minimum of one hundred additional full-time undergraduate students on a steady-state basis.

It is further recommended that the University experiment with a "special student" category. Such students would be non-matriculated persons who wished to take courses for particular nondegree reasons. For instance, teachers frequently need a course in reading, or they need to become proficient in Spanish, or they wish to learn about new developments in teaching mathematics. It is recommended that they be allowed to take courses which cannot be used toward a degree at rates set by individual schools. These students would have to meet the same admissions requirements as those matriculating for a degree.

There are possibilities at the graduate level. Some departments badly neglect—even discourage—terminal master's degree students, despite the large continuing demand for terminal master's degrees in the New York area. Some departments even neglect to award master's degrees to doctoral students who satisfy the posted requirements for the master's degree, despite the financial loss to the University and the advantage to the student of having a graduate degree while working toward the doctorate. More generally, departments can better serve both the University's finances and students by eliminating avoidable delays and administrative obstacles to completion of graduate degrees. Finally, there are possibilities in other schools analogous to the post-master's Advanced Professional Certificate program just instituted by the Graduate School of Business Administration.

V. RULES, STRUCTURES AND PROCEDURES FOR IMPLEMENTING THE PLAN

No plan, let alone a plan that calls for retrenchment and sacrifice, is self-executing. In this section, we propose a set of rules to govern academic and administrative decisions with significant fiscal consequences; we discuss at some

cational activities involving significant financial drains, to preserve and foster educational quality while costs are being reduced substantially and to exploit opportunities for protecting or increasing the income generated by the educational divisions. In addition, we propose specific economies in both the educational divisions and the central service divisions.

In order to facilitate the restructuring, to actually realize the cost savings made possible by the restructuring and to prevent back-sliding during the time necessary to return the University's finances to a satisfactory position, we propose the adoption of a series of University-wide rules for decisions on staffing, budgeting and educational planning, decision rules that are strongly enforced *without exception* except for the most compelling of reasons. These rules cannot be viewed as temporary responses to the financial emergency. Instead, they represent the conditions under which the University must operate, for the forseeable future, if it is to survive.

1. No further construction or major rehabilitation work should be permitted to proceed without *full* financing of the costs in hand, including funds to cover the incremental costs of operation and maintenance of plant.

2. No further commitments for student aid programs or non-income producing educational activities, however prestigious, should be undertaken without full external financing. "Full external financing," for educational activities means coverage of direct expenses and a reasonable allowance for indirect expenses as well. Moreover, existing non-income producing activities and programs should be phased out as rapidly as possible, unless additional external gifts and grants can be generated to cover their costs.

3. As we have pointed our earlier in this report, the academic units must genate income in excess of their direct educational expenses to cover centrally budgeted and administered services since the University's central income, not attributable to the individual schools and colleges, is very limited. We suggest as a working decision rule that each educational unit be expected to produce income and gifts (net of student aid from unrestricted funds) equal to 175 percent of its direct educational expenses (as defined previously), with somewhat lower requirements for those few units that demonstrably use very modest quantities of the major central services.* If a unit falls below this income requirement, then the normal rules for achievement of tenure and notice of termination of nontenured personnel should be suspended in that unit until the required income-direct expense relationship is restored. If the relationship cannot be restored within a period of three to five years, then the unit must be discontinued or absorbed into other academic units within the University.

4. A corollary to rule (3) is a sharp reduction in and continued tight control

* The 175 percent standard should be revised downward when space occupancy costs and other "indirect" costs are converted to direct charges that appear in the budgets of the individual units, as we propose below. Pending implementation of the new budgetary system—presumably in 1973-74—the percent standard is the appropriate guideline.

of central University expenses. Aggregate central expenditures should be limited to an amount equal to 75 percent of the aggregate direct educational expenses of the educational units.*

5. It is clear that the aggregate size of the University's faculty must be reduced substantially, and quickly. A number of decision rules are necessary if this is to be done with minimal harm to the quality of education. One such rule relates to the number of separate course offerings. There is an inherent academic tendency to proliferate course offerings, as new specializations develop within disciplines, faculty membership changes and academic fashions vary. We propose mandatory reductions in the number of separate courses offered, and extra-departmental controls over subsequent efforts to re-inflate the lists of offerings. A suggested specific rule is the requirement that, after the initial round of reductions, no new courses can be added to the list of approved courses without the compensatory elimination of existing courses. The only exceptions would be in instances where the staffing of courses is externally financed.

6. Another such rule is the imposition of flat minimums on class size within each school or college. One enforcement device that would create a minimum of disruption for the students who register for a course that proves to have an enrollment below the minimum is to remove that course from the approved list of courses for subsequent terms. Such a course then could be reinstated only by gaining approval *de novo* under rule (5). Again, exceptions would be made only for externally financed instruction.

7. There is need for rules to eliminate duplication of course offerings among departments and schools. Such rules are hard to devise and even harder to enforce, but they are essential. One relatively simple regulatory move would be one designed to guarantee that relevant courses in one department or school are actually open to qualified students in another department or school: the delisting, by fiat, of any course from which students from other departments or schools have been unreasonably excluded. The proposed commissions on undergraduate and graduate planning (see below) would have responsibility for the elimination of course du-

ly, but on a highly uneven basis. In the fall term, 1971, in some faculties, the average number of courses taught per full-time faculty member was well below 2.5, while in others the average was 3 or more. Even worse, the lower teaching loads tend to be found in faculties without substantial responsibilities for supervision and guidance of master's theses and doctoral dissertations. It is essential that uniform minimum teaching schedules be adopted, with explicit, objective criteria for equivalents to formal classroom instruction like thesis and dissertation supervision and formal administrative assignments of a substantial nature. Reduction in teaching schedules for research should be made *only* for externally financed research activities and for specifically approved projects that are internally financed.

9. Sabbatical leaves never have been designed as extended vacations earned as a matter of right.

The announced policy should be enforced: a sabbatical leave is to encourage research and enhance a faculty member's knowledge and skills as a teacher and should be granted only to a faculty member who can demonstrate that he or she will pursue a substantial project designed to yield publishable results and/or enhance competency in the classroom.

In addition, it should be noted that the financial arrangements governing sabbatical leaves are significantly more generous at this University than they are at most other universities. We recommend that, effective September 1, 1973, the provision for a one-term leave at full pay be eliminated and that the alternatives remain one year at three-fourths pay every seventh year or one term at three-fourths pay every seventh semester, subject to the provisos of the preceding paragraph and to the budgetary rules now in force, i.e., a sabbatical will be approved only if its granting does not increase the budget of a department, division or school.

10. Departments and schools must not be permitted to neglect educationally valid income-producing opportunities. For example, the Bundy formula provides for payments on the basis of numbers of degrees awarded. Graduate departments should be required to award master's degrees to all students who meet the posted

out explicit sanction at the school or college level.

11. Over the past decade, the University has greatly improved its standards with regard to secretarial service in most of the academic divisions, in some cases, to levels that are not sustainable. A University-wide standard should be adopted, with exceptions permitted only when external financing provides additional secretarial staff.

New Structural Arrangements for the Academic Units

A new arrangement of schools and colleges is necessary for a variety of reasons. The most mundane, but not least significant, is that a smaller number of separate schools can permit savings in administrative costs — fewer deans, budget officers, dean's secretaries and the like. Also, reduction in the number of separate units is needed to assure better enforcement of the decision rules and actual realization of the necessary retrenchments. In addition, combining of separate faculties and administrative organizations would be helpful in eliminating course duplications and expanding student access to the remaining courses, horizontally, among the undergraduate divisions, and/or vertically between undergraduate and graduate units in the same field or discipline. Finally, some kind of re-arrangements are necessary to accommodate the move of University College to Washington Square.

The Task Force has considered a number of alternative plans, all of which would reduce the number of separate faculties and administrations. One possibility is a horizontal unification across the undergraduate divisions, creating one undergraduate college, faculty, and administration. This has significant attractions. However, we have concluded that even greater advantages would accrue from vertical unification, between graduate and undergraduate divisions with close professional or disciplinary ties. Essentially, we propose extending this arrangement to Arts and Science and Business Administration.

The principal advantage of this vertical unification, aside from the budgetary and administrative improvements that can be

ions in the number of separate courses offered, and extra-departmental controls over subsequent efforts to re-inflate the lists of offerings. A suggested specific rule is the requirement that, after the initial round of reductions, no new courses can be added to the list of approved courses without the compensatory elimination of existing courses. The only exceptions would be in instances where the staffing of courses is externally financed.

6. Another such rule is the imposition of flat minimums on class size within each school or college. One enforcement device that would create a minimum of disruption for the students who register for a course that proves to have an enrollment below the minimum is to remove that course from the approved list of courses for subsequent terms. Such a course then could be reinstated only by gaining approval *de novo* under rule (5). Again, exceptions would be made only for externally financed instruction.

7. There is need for rules to eliminate duplication of course offerings among departments and schools. Such rules are hard to devise and even harder to enforce, but they are essential. One relatively simple regulatory move would be one designed to guarantee that relevant courses in one department or school are actually open to qualified students in another department or school: the delisting, by fiat, of any course from which students from other departments or schools have been unreasonably excluded. The proposed commissions on undergraduate and graduate planning (see below) would have responsibility for the elimination of course duplication.

8. Over the last decade, individual teaching schedules have declined substantial-

*See preceding note.

tivities and for specifically approved projects that are internally financed.

9. Sabbatical leaves never have been designed as extended vacations earned as a matter of right.

The announced policy should be enforced: a sabbatical leave is to encourage research and enhance a faculty member's knowledge and skills as a teacher and should be granted only to a faculty member who can demonstrate that he or she will pursue a substantial project designed to yield publishable results and/or enhance competency in the classroom.

In addition, it should be noted that the financial arrangements governing sabbatical leaves are significantly more generous at this University than they are at most other universities. We recommend that, effective September 1, 1973, the provision for a one-term leave at full pay be eliminated and that the alternatives remain one year at three-fourths pay every seventh year or one term at three-fourths pay every seventh semester, subject to the provisos of the preceding paragraph and to the budgetary rules now in force, i.e., a sabbatical will be approved only if its granting does not increase the budget of a department, division or school.

10. Departments and schools must not be permitted to neglect educationally valid income-producing opportunities. For example, the Bundy formula provides for payments on the basis of numbers of degrees awarded. Graduate departments should be required to award master's degrees to all students who meet the posted requirements and not permitted to ignore the possibility of awarding the degree to students whose ultimate objective is the doctorate. Similarly, the rejection of part-time students as a matter of departmental policy should not be permitted with-

Table 7

TARGETS FOR EXCESS OF INCOME OF ACADEMIC UNITS OVER DIRECT EXPENSE, 1974-75, UNDER ALTERNATIVE ASSUMPTIONS[a]
(Dollar amounts in millions)

Salary Assumptions	1971-72 Levels	Unchanged Undergraduate Tuition, Graduate and Professional at $90 or Equivalent[b]
1971-72 Levels[c]	25.3[d]	27.6
Increases Averaging 10% above 1971-72	22.6	24.9
Increases Averaging 15% above 1971-72	21.2	23.5

[a] Excludes any estimates for Engineering, Social Work or Center for International Studies (see text and Table 6).

[b] Dentistry tuition assumed to continue at current levels; the increase for GBA is slightly greater than the 8.4 percent involved in the general graduate increase from $83 to $90 a point.

[c] All Dentistry projections include some salary increases above 1971-72.

[d] Table 6, Column 1, total.

The most mundane, but not least significant, is that a smaller number of separate schools can permit savings in administrative costs — fewer deans, budget officers, dean's secretaries and the like. Also, reduction in the number of separate units is needed to assure better enforcement of the decision rules and actual realization of the necessary retrenchments. In addition, combining of separate faculties and administrative organizations would be helpful in eliminating course duplications and expanding student access to the remaining courses, horizontally, among the undergraduate divisions, and/or vertically between undergraduate and graduate units in the same field or discipline. Finally, some kind of re-arrangements are necessary to accommodate the move of University College to Washington Square.

The Task Force has considered a number of alternative plans, all of which would reduce the number of separate faculties and administrations. One possibility is a horizontal unification across the undergraduate divisions, creating one undergraduate college, faculty, and administration. This has significant attractions. However, we have concluded that even greater advantages would accrue from vertical unification, between graduate and undergraduate divisions with close professional or disciplinary ties. Essentially, we propose extending this arrangement to Arts and Science and Business Administration.

The principal advantage of this vertical unification, aside from the budgetary and administrative improvements that can be achieved with either horizontal or vertical unification, is that it affords a better means of exploiting, for undergraduate programs, the fact that the University does have in existence strong programs — most of them financially viable — at the post-baccalaureate level. Even the depressingly small undergraduate enrollment figure we project cannot be sustained, given all the external forces working against us, unless our undergraduate programs have special attributes that make students and their parents willing to pay substantial amounts in tuition to this University. Strong linkages to graduate and professional programs can offer attractions that many competing institutions simply do not have.

The reorganization we propose can be summarized as follows:

Business Administration

Organizational arrangements now: One undergraduate college and a separate graduate school, with two faculties, budgets and deans, albeit with some overlap of faculty and substantial interschool cooperation.

Proposal: A single Faculty of Business Administration for both undergraduate and graduate programs with a single budget and dean.

Arts and Science

Organizational arrangements now: Two undergraduate colleges, one graduate school, and two institutes. There is a single budget and dean

ly, but on a highly uneven basis. In the fall term, 1971, in some faculties, the average number of courses taught per full-time faculty member was well below 2.5, while in others the average was 3 or more. Even worse, the lower teaching loads tend to be found in faculties without substantial responsibilities for supervision and guidance of master's theses and doctoral dissertations. It is essential that uniform minimum teaching schedules be adopted, with explicit, objective criteria for equivalents to formal classroom instruction like thesis and dissertation supervision and formal administrative assignments of a substantial nature. Reduction in teaching schedules for research should be made *only* for externally financed research activities and for specifically approved projects that are internally financed.

9. Sabbatical leaves never have been designed as extended vacations earned as a matter of right.

The announced policy should be enforced: a sabbatical leave is to encourage research and enhance a faculty member's knowledge and skills as a teacher and should be granted only to a faculty member who can demonstrate that he or she will pursue a substantial project designed to yield publishable results and/or enhance competency in the classroom.

In addition, it should be noted that the financial arrangements governing sabbatical leaves are significantly more generous at this University than they are at most other universities. We recommend that, effective September 1, 1973, the provision for a one-term leave at full pay be eliminated and that the alternatives remain one year at three-fourths pay every seventh year or one term at three-fourths pay every seventh semester, subject to the provisos of the preceding paragraph and to the budgetary rules now in force, i.e., a sabbatical will be approved only if its granting does not increase the budget of a department, division or school.

10. Departments and schools must not be permitted to neglect educationally valid income-producing opportunities. For example, the Bundy formula provides for payments on the basis of

out explicit sanction at the school or college level.

11. Over the past decade, the University has greatly improved its standards with regard to secretarial service in most of the academic divisions, in some cases, to levels that are not sustainable. A University-wide standard should be adopted, with exceptions permitted only when external financing provides additional secretarial staff.

New Structural Arrangements for the Academic Units

A new arrangement of schools and colleges is necessary for a variety of reasons. The most mundane, but not least significant, is that a smaller number of separate schools can permit savings in administrative costs — fewer deans, budget officers, dean's secretaries and the like. Also, reduction in the number of separate units is needed to assure better enforcement of the decision rules and actual realization of the necessary retrenchments. In addition, combining of separate faculties and administrative organizations would be helpful in eliminating course duplications and expanding student access to the remaining courses, horizontally, among the undergraduate divisions, and/or vertically between undergraduate and graduate units in the same field or discipline. Finally, some kind of re-arrangements are necessary to accommodate the move of University College to Washington Square.

The Task Force has considered a number of alternative plans, all of which would reduce the number of separate faculties and administrations. One possibility is a horizontal unification across the undergraduate divisions, creating one undergraduate college, faculty, and administration. This has significant attractions. However, we have concluded that even greater advantages would accrue from vertical unification, between graduate and undergraduate divisions with close professional or disciplinary ties. Essentially, we propose extending this arrangement to Arts and Science and Business Administration.

for Arts and Science at Washington Square and another at University Heights, but despite much interschool cooperation and overlap of faculty, three separate faculties exist in reality.

Proposal: A single Faculty of Arts and Science for both undergraduate and graduate programs, with a single budget and dean; the Courant Institute is to be fully integrated, for budgetary and administrative purposes, into this unified organization. The Institute of Fine Arts retains is present status.

University College and Washington Square College are to be fully merged into a single undergraduate component of the unified Arts and Science faculty.

Our proposal on the organization of undergraduate Arts and Science education warrants further discussion. In our deliberations, we were concerned with the following issues:

— How can undergraduate education be made more attractive at New York University?

— How can units be established to address certain student interests such as Urban Problems, Ecology and the like?

— How can faculty be encouraged to develop innovative programs?

— How will course duplication be eliminated?

We answer these questions with the following specific recommendations:

1. **There should be one undergraduate college of arts and science.**

A single New York University College of Arts and Science is proposed as the best vehicle for providing high-quality, but fiscally viable, undergraduate education. The faculty of the College would be members of the Faculty of Arts and Science under a single dean and with a single

only for externally financed research activities and for specifically approved projects that are internally financed.

9. Sabbatical leaves never have been designed as extended vacations earned as a matter of right.

The announced policy should be enforced: a sabbatical leave is to encourage research and enhance a faculty member's knowledge and skills as a teacher and should be granted only to a faculty member who can demonstrate that he or she will pursue a substantial project designed to yield publishable results and/or enhance competency in the classroom.

In addition, it should be noted that the financial arrangements governing sabbatical leaves are significantly more generous at this University than they are at most other universities. We recommend that, effective September 1, 1973, the provision for a one-term leave at full pay be eliminated and that the alternatives remain one year at three-fourths pay every seventh year or one term at three-fourths pay every seventh semester, subject to the provisos of the preceding paragraph and to the budgetary rules now in force, i.e., a sabbatical will be approved only if its granting does not increase the budget of a department, division or school.

10. Departments and schools must not be permitted to neglect educationally valid income-producing opportunities. For example, the Bundy formula provides for payments on the basis of numbers of degrees awarded. Graduate departments should be required to award master's degrees to all students who meet the posted requirements and not permitted to ignore the possibility of awarding the degree to students whose ultimate objective is the doctorate. Similarly, the rejection of part-time students as a matter of departmental policy should not be permitted with-

OME OF ACADEMIC UNITS OVER
ER ALTERNATIVE ASSUMPTIONS[a]
s in millions)

-72 els	Unchanged Undergraduate Tuition, Graduate and Professional at $90 or Equivalent[b]
.3[d]	27.6
.6	24.9
.2	23.5

ineering, Social Work or Center
text and Table 6).

ontinue at current levels; the
reater than the 8.4 percent
te increase from $83 to $90 a

ude some salary increases

mon. The most mundane, but not least significant, is that a smaller number of separate schools can permit savings in administrative costs — fewer deans, budget officers, dean's secretaries and the like. Also, reduction in the number of separate units is needed to assure better enforcement of the decision rules and actual realization of the necessary retrenchments. In addition, combining of separate faculties and administrative organizations would be helpful in eliminating course duplications and expanding student access to the remaining courses, horizontally, among the undergraduate divisions, and/or vertically between undergraduate and graduate units in the same field or discipline. Finally, some kind of re-arrangements are necessary to accommodate the move of University College to Washington Square.

The Task Force has considered a number of alternative plans, all of which would reduce the number of separate faculties and administrations. One possibility is a horizontal unification across the undergraduate divisions, creating one undergraduate college, faculty, and administration. This has significant attractions. However, we have concluded that even greater advantages would accrue from vertical unification, between graduate and undergraduate divisions with close professional or disciplinary ties. Essentially, we propose extending this arrangement to Arts and Science and Business Administration.

The principal advantage of this vertical unification, aside from the budgetary and administrative improvements that can be achieved with either horizontal or vertical unification, is that it affords a better means of exploiting, for undergraduate programs, the fact that the University does have in existence strong programs — most of them financially viable — at the post-baccalaureate level. Even the depressingly small undergraduate enrollment figure we project cannot be sustained, given all the external forces working against us, unless our undergraduate programs have special attributes that make students and their parents willing to pay substantial amounts in tuition to this University. Strong linkages to graduate and professional programs can offer attractions that many competing institutions simply do not have.

The reorganization we propose can be summarized as follows:

Business Administration

Organizational arrangements now: One undergraduate college and a separate graduate school, with two faculties, budgets and deans, albeit with some overlap of faculty and substantial interschool cooperation.

Proposal: A single Faculty of Business Administration for both undergraduate and graduate programs with a single budget and dean.

Arts and Science

Organizational arrangements now: Two undergraduate colleges, one graduate school, and two institutes. There is a single budget and dean

Square College are to be fully merged into a single undergraduate component of the unified Arts and Science faculty.

Our proposal on the organization of undergraduate Arts and Science education warrants further discussion. In our deliberations, we were concerned with the following issues:

— How can undergraduate education be made more attractive at New York University?

— How can units be established to address certain student interests such as Urban Problems, Ecology and the like?

— How can faculty be encouraged to develop innovative programs?

— How will course duplication be eliminated?

We answer these questions with the following specific recommendations:

1. **There should be one undergraduate college of arts and science.**

A single New York University College of Arts and Science is proposed as the best vehicle for providing high-quality, but fiscally viable, undergraduate education. The faculty of the College would be members of the Faculty of Arts and Science under a single dean and with a single budget. Each officer of instruction would hold a primary appointment in a University department. The academic program of the College would be administered by an associate dean responsible to the Dean of the Faculty of Arts and Science.

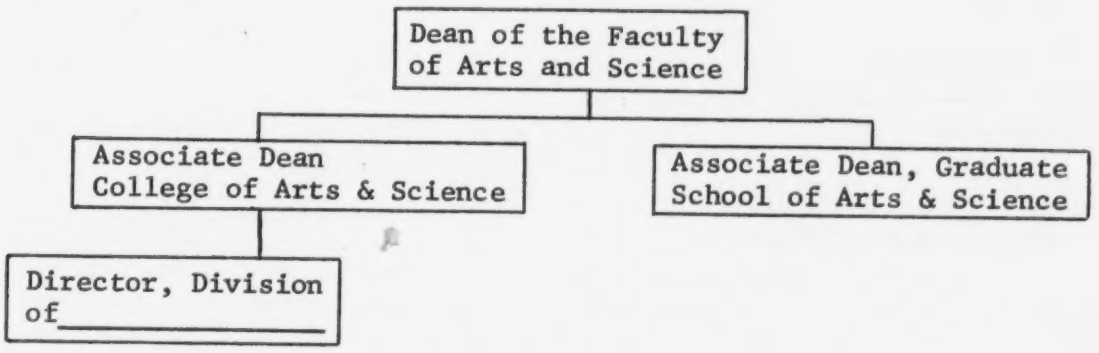
It is further recommended that a special division of the College be created to provide a home for highly experimental and innovative nonprofessional programs which cannot be organized along departmental or school lines. Thus it might consist of a grouping of interdisciplinary and interschool programs such as Ecological Studies, Urban Studies and University Without Walls. Since the faculty who would teach in the division would be drawn from all the schools and colleges of the University, the Commission on Undergraduate Planning (see below) would review both the institution and termination of all programs to be housed in the division.

The division should be headed by a director responsible to the Associate Dean of the College of Arts and Science. Programs in the division are to be staffed as temporary systems so all those who teach in them would have primary appointments elsewhere. The director of the division would make recommendations for promotion, tenure, and salary increments for services rendered in the division, and these would be forwarded to the instructor's place of primary appointment. The Associate Dean of the College of Arts and Science would monitor the reward system.

Similarly, the academic program of the Graduate School of Arts and Science would be administered by an associate dean responsible to the Dean of the Faculty of Arts and Science.

Chart A

THE PROPOSED ADMINISTRATIVE STRUCTURE FOR
THE FACULTY OF ARTS AND SCIENCE


Dean of the Faculty of Arts and Science
Associate Dean College of Arts & Science
Associate Dean, Graduate School of Arts & Science
Director, Division of_____

The proposed administrative structure for the Faculty of Arts and Science is shown in Chart A.

2. **There should be a Commission on Undergraduate Planning:**

The Commission on Undergraduate Planning would supersede the Commission on Coordinated Liberal Studies, be chaired by the Assistant Vice Chancellor for Academic Planning and be comprised of the deans of the arts, arts and science, business and education; the chairmen of the appropriate curriculum committees; and one student from each school or college. The functions of the Commission would be:

— To maintain close relations with all undergraduate curriculum committees.

— To recommend to the Chancellor the formation or dissolution of all experimental programs at the undergraduate level.

— To review all new undergraduate courses.

— To eliminate duplication of courses among all undergraduate schools and colleges.

— To assume all functions of the Commission on Coordinated Liberal Studies.

The Commission might well work in the deans of the schools of the arts, arts and sciences, business, education and public administration; an elected professor from each school; and a student from each school. It would perform the same functions as does its undergraduate counterpart.

Central Management of the University

Decision rules calling for drastic retrenchment and restrictions on educational planning within departments and schools will not be self-enforcing, even with a smaller number of separate units for the educational programs of the University. Recent experience has shown that no single administrator will rigorously enforce Draconian restrictions if he is convinced that other administrators are not so doing. Nor can enforcement be left solely to the Chancellor's office, for the Chancellor cannot operate on the basis of continual day-to-day interventions in the functioning of each of the schools. There is need, we believe, for new administrative arrangements to see that the decision rules are fairly and evenly administered throughout the University.

Therefore, we propose the continuing involvement of deans with the Chancellor and heads of operating units in the budgeting of both schools and central services and in the review of the extent to which the decision rules are being followed. By this we mean not separate discussions of

adequate for a period of expansion an prosperity, but have served us badly i adversity. We propose changes that wi greatly increase the burdens on budgetar officers but will also yield a budgetar system that does what a budget is sup posed to do: provide a financial expressio of considered institutional plans and pr orities and a set of financial controls o the execution of those plans and th achievement of those priorities.

A. General rules:

1. For the most part, the budget unit within the University budget only expens not income. We propose that each bud getary unit (including departments withi the schools, if departments prepare thei own budgets, as in Arts and Sciences) h required to budget all income and expens including contracts in a single documer that is internally consistent. Some admi istrative divisions may not have any i come to budget, but under the propose rule that follows, others will have incom as do the academic units.

2. To the greatest extent feasible, th direct expense budgets of the academi units (and the administrative divisions a well) should include the costs of service now centrally budgeted, charged on a uni basis. That is, all units should be charge rent for the use of space, with a charg per square foot varying with the qualit of the premises; similarly, telephone ser ice, postage, purchasing services, buildin alterations, student aid and other no centrally budgeted costs should be direc explicit budget charges, with the academi units having some freedom to contra the use of the service or to buy it els where. This charge will provide incentive to economize on the use of services, a well as an external check on the efficienc with which the services are provided.

B. Budget determination:

1. Budget determination is necessaril an iterative process, with feedbacks o additional information and decision during the budget cycle. However, th cycle must start much sooner than it no

Tab

TARGETS FOR CENTRALL
CHANGE IN EXPENDITURE BE

(In thousan

The proposed administrative structure for the Faculty of Arts and Science is shown in Chart A.

2. **There should be a Commission on Undergraduate Planning:**

The Commission on Undergraduate Planning would supersede the Commission on Coordinated Liberal Studies, be chaired by the Assistant Vice Chancellor for Academic Planning and be comprised of the deans of the arts, arts and science, business and education; the chairmen of the appropriate curriculum committees; and one student from each school or college. The functions of the Commission would be:

— To maintain close relations with all undergraduate curriculum committees.

— To recommend to the Chancellor the formation or dissolution of all experimental programs at the undergraduate level.

— To review all new undergraduate courses.

— To eliminate duplication of courses among all undergraduate schools and colleges.

— To assume all functions of the Commission on Coordinated Liberal Studies.

The Commission might well work in the following way. All undergraduate schools and colleges might be required to file an outline of the content of every course taught. The staff of the Assistant Vice Chancellor would review the outlines with the result that some duplicating courses might be found, in which case the procedure might well be:

— The Assistant Vice Chancellor would work up the information on the duplicating courses.

— The Assistant Vice Chancellor would notify the schools involved and invite appropriate persons to meet with the Commission.

— The Assistant Vice Chancellor would present the case to the Commission, and the schools would add other input.

— The Commission would decide the case.

— The Assistant Vice Chancellor would inform the appropriate deans.

— The deans would be free to appeal the decision to the Chancellor.

3. **There should be created a Commission on Graduate Planning.**

This Commission would supersede the present Graduate Commission and would function parallel to and in the same manner as the Commission on Undergraduate Planning. It would be headed by the Assistant Vice Chancellor for Academic Planning, and its membership would include the deans of the schools of the arts, arts and sciences, business, education and public administration; an elected professor from each school; and a student from each school. It would perform the same functions as does its undergraduate counterpart.

Central Management of the University

Decision rules calling for drastic retrenchment and restrictions on educational planning within departments and schools will not be self-enforcing, even with a smaller number of separate units for the educational programs of the University. Recent experience has shown that no single administrator will rigorously enforce Draconian restrictions if he is convinced that other administrators are not so doing. Nor can enforcement be left solely to the Chancellor's office, for the Chancellor cannot operate on the basis of continual day-to-day interventions in the functioning of each of the schools. There is need, we believe, for new administrative arrangements to see that the decision rules are fairly and evenly administered throughout the University.

Therefore, we propose the continuing involvement of deans with the Chancellor and heads of operating units in the budgeting of both schools and central services and in the review of the extent to which the decision rules are being followed. By this we mean not separate discussions of one school's operations between its dean and the Chancellor, but an interchange of adequate data and information among the deans so that there is assurance that the difficult planning, budgeting and operating decisions essential for the University's survival are in fact made and adhered to in all parts of the University. This should be accomplished by regular, formal meetings. This is not a system of second-guessing the Chancellor or undermining him, but rather a system under which the entire — and unsustainable — burden of implementing very harsh rules does not fall on the Chancellor alone.

In addition, the Senate Budget Policy Committee should function like other Senate standing committees, reporting back to the Senate on its deliberations and recommendations.

The organization of the central administration itself constitutes another problem. We believe that consolidation of offices and responsibilities, clearer lines of authority and firmer delegation of decision-making powers are essential in our circumstances. Our suggestion is to combine under a single officer all student services and facilities; e.g. dormitories, student affairs, registrar, admissions, financial aid, etc. In addition, we recommend the remaining functions of institutional services and facilities should be combined under a single officer.

Budget Procedures

The University operates under budgetary procedures that might have been

the schools, if departments prepare th
own budgets, as in Arts and Sciences) i
required to budget all income and expen
including contracts in a single docume
that is internally consistent. Some admi
istrative divisions may not have any i
come to budget, but under the propose
rule that follows, others will have incom
as do the academic units.

2. To the greatest extent feasible, th
direct expense budgets of the academ
units (and the administrative divisions a
well) should include the costs of servic
now centrally budgeted, charged on a un
basis. That is, all units should be charg
rent for the use of space, with a charg
per square foot varying with the quali
of the premises; similarly, telephone ser
ice, postage, purchasing services, buildin
alterations, student aid and other no
centrally budgeted costs should be direc
explicit budget charges, with the academ
units having some freedom to contra
the use of the service or to buy it els
where. This charge will provide incentiv
to economize on the use of services, a
well as an external check on the efficien
with which the services are provided.

B. Budget determination:

1. Budget determination is necessaril
an iterative process, with feedbacks o
additional information and decisio
during the budget cycle. However, th
cycle must start much sooner than it no

Tab

TARGETS FOR CENTRAL
CHANGE IN EXPENDITURE BE

(In thousan

Type of Service
Libraries
Operation and Maintenance of Pl
Savings in Rent Payments[a]
Student Services
Computer Centers
Development and Public Relations
Elimination of Deficits for Spec Auxiliary Activities[d]
Other Central Services and Centr Administration (including savi flected in the 1972-73 budget)
TOTAL

[a] Reductions in rental of non-Un functions and freeing of space investment properties for rent activities into academic and r

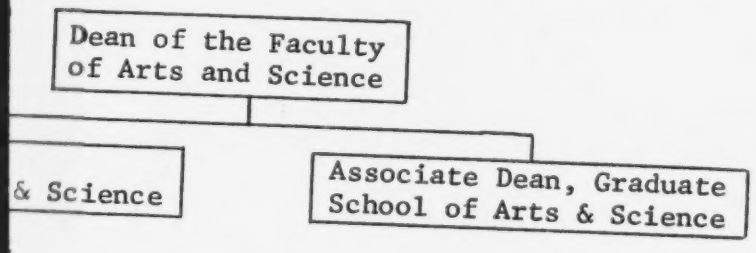
[b] This is a minimum figure; see savings are effected by the pa in consolidation of computer c corded as a credit to the Art

[c] This represents net savings, w see text on Development and P

[d] Excludes Town Hall, discussed Continuing Education.

Chart A

OSED ADMINISTRATIVE STRUCTURE FOR
FACULTY OF ARTS AND SCIENCE



tive structure
nd Science is

mmission on
g:

Undergraduate
e Commission
es, be chaired
llor for Aca-
prised of the
science, busi-
irmen of the
mittees; and
l or college.
ission would

ions with all
um commit-

hancellor the
n of all ex-
t the under-

dergraduate

of courses
schools and

of the Com-
ed Liberal

ll work in
dergraduate
be required
nt of every
e Assistant

the deans of the schools of the arts, arts and sciences, business, education and public administration; an elected professor from each school; and a student from each school. It would perform the same functions as does its undergraduate counterpart.

Central Management of the University

Decision rules calling for drastic retrenchment and restrictions on educational planning within departments and schools will not be self-enforcing, even with a smaller number of separate units for the educational programs of the University. Recent experience has shown that no single administrator will rigorously enforce Draconian restrictions if he is convinced that other administrators are not so doing. Nor can enforcement be left solely to the Chancellor's office, for the Chancellor cannot operate on the basis of continual day-to-day interventions in the functioning of each of the schools. There is need, we believe, for new administrative arrangements to see that the decision rules are fairly and evenly administered throughout the University.

Therefore, we propose the continuing involvement of deans with the Chancellor and heads of operating units in the budgeting of both schools and central services and in the review of the extent to which the decision rules are being followed. By this we mean not separate discussions of one school's operations between its dean and the Chancellor, but an interchange of adequate data and information among the deans so that there is assurance that the difficult planning budgetary decisions are adequate for a period of expansion and prosperity, but have served us badly in adversity. We propose changes that will greatly increase the burdens on budgetary officers but will also yield a budgetary system that does what a budget is supposed to do: provide a financial expression of considered institutional plans and priorities and a set of financial controls on the execution of those plans and the achievement of those priorities.

A. General rules:

1. For the most part, the budget units within the University budget only expense, not income. We propose that each budgetary unit (including departments within the schools, if departments prepare their own budgets, as in Arts and Sciences) be required to budget all income and expense including contracts in a single document that is internally consistent. Some administrative divisions may not have any income to budget, but under the proposed rule that follows, others will have income, as do the academic units.

2. To the greatest extent feasible, the direct expense budgets of the academic units (and the administrative divisions as well) should include the costs of services now centrally budgeted, charged on a unit basis. That is, all units should be charged rent for the use of space, with a charge per square foot varying with the quality of the premises; similarly, telephone service, postage, purchasing services, building alterations, student aid and other now centrally budgeted costs should be direct, explicit budget charges, with the academic units having some freedom to contract the use of the service or to buy it elsewhere. This charge will provide incentives to economize on the use of services, as well as an external check on the efficiency with which the services are provided.

B. Budget determination:

1. Budget determination is necessarily an iterative process, with feedbacks of additional information and decisions during the budget cycle. However, the cycle must start much sooner than it now does. During the summer of 1972, each of the educational units and service divisions should prepare preliminary budgets for each of the next three years (1973-74, 1974-75 and 1975-76); in subsequent years, this practice should be continued, with a September 1 deadline for a three-year budget. The present system for one-year budgeting makes it extremely difficult to make reductions, in the light of timely notice requirements and other contractual obligations. Necessarily, the later years in the budgetary period involve more uncertainty, but the general direction of programs and operations *can* be forecast for three years in advance, however roughly.

2. Based on the summer three-year projections of the individual units, the Budget Director should estimate, in *September*, the total cost of the centrally budgeted services and establish a target ratio of net income to direct expense for the academic units and a tentative scale of operations for the administrative divisions.

3. In *October* and *November*, each academic unit would be assigned a specific target ratio, as the basis for its budget submission for the ensuing year, in two stages:

(a) Cost accounting data would be used to determine the break-even ratio for each academic unit; and

(b) Permissible deficits and required surpluses would be negotiated, on the basis of the quality and direction of academic *programs*, not on the basis of across-the-board percentage changes.

Also, salary increase guidelines would be determined at this point.

4. In *December*, each academic unit would submit a formal income and expense budget for the ensuing year that meets the target ratio, with adequate detail on the use of central services now included in the school budgets.

5. In *January*, the Budget Director would specify parameters to the heads

Table 8

TARGETS FOR CENTRALLY BUDGETED SERVICES:
CHANGE IN EXPENDITURE BETWEEN 1971-72 AND 1974-75
(In thousands of dollars)

Type of Service	Change in Expenditure
Libraries	

the deans of the schools of the arts, arts and sciences, business, education and public administration; an elected professor from each school; and a student from each school. It would perform the same functions as does its undergraduate counterpart.

Central Management of the University

Decision rules calling for drastic retrenchment and restrictions on educational planning within departments and schools will not be self-enforcing, even with a smaller number of separate units for the educational programs of the University. Recent experience has shown that no single administrator will rigorously enforce Draconian restrictions if he is convinced that other administrators are not so doing. Nor can enforcement be left solely to the Chancellor's office, for the Chancellor cannot operate on the basis of continual day-to-day interventions in the functioning of each of the schools. There is need, we believe, for new administrative arrangements to see that the decision rules are fairly and evenly administered throughout the University.

Therefore, we propose the continuing involvement of deans with the Chancellor and heads of operating units in the budgeting of both schools and central services and in the review of the extent to which the decision rules are being followed. By this we mean not separate discussions of one school's operations between its dean and the Chancellor, but an interchange of adequate data and information among the deans so that there is assurance that the difficult planning, budgeting and operating decisions essential for the University's survival are in fact made and adhered to in all parts of the University. This should be accomplished by regular, formal meetings. This is not a system of second-guessing the Chancellor or undermining him, but rather a system under which the entire — and unsustainable — burden of implementing very harsh rules does not fall on the Chancellor alone.

In addition, the Senate Budget Policy Committee should function like other Senate standing committees, reporting back to the Senate on its deliberations and recommendations.

The organization of the central administration itself constitutes another problem. We believe that consolidation of offices and responsibilities, clearer lines of authority and firmer delegation of decision-making powers are essential in our circumstances. Our suggestion is to combine under a single officer all student services and facilities; e.g. dormitories, student affairs, registrar, admissions, financial aid, etc. In addition, we recommend the remaining functions of institutional services and facilities should be combined under a single officer.

Budget Procedures

The University operates under budgetary procedures that might have been

the schools, if departments prepare their own budgets, as in Arts and Sciences) be required to budget all income and expense including contracts in a single document that is internally consistent. Some administrative divisions may not have any income to budget, but under the proposed rule that follows, others will have income, as do the academic units.

2. To the greatest extent feasible, the direct expense budgets of the academic units (and the administrative divisions as well) should include the costs of services now centrally budgeted, charged on a unit basis. That is, all units should be charged rent for the use of space, with a charge per square foot varying with the quality of the premises; similarly, telephone service, postage, purchasing services, building alterations, student aid and other now centrally budgeted costs should be direct, explicit budget charges, with the academic units having some freedom to contract the use of the service or to buy it elsewhere. This charge will provide incentives to economize on the use of services, as well as an external check on the efficiency with which the services are provided.

B. Budget determination:

1. Budget determination is necessarily an iterative process, with feedbacks of additional information and decisions during the budget cycle. However, the cycle must start much sooner than it now projections of the individual units, the Budget Director should estimate, in *September*, the total cost of the centrally budgeted services and establish a target ratio of net income to direct expense for the academic units and a tentative scale of operations for the administrative divisions.

3. In *October* and *November*, each academic unit would be assigned a specific target ratio, as the basis for its budget submission for the ensuing year, in two stages:

(a) Cost accounting data would be used to determine the break-even ratio for each academic unit; and

(b) Permissible deficits and required surpluses would be negotiated, on the basis of the quality and direction of academic *programs*, not on the basis of across-the-board percentage changes.

Also, salary increase guidelines would be determined at this point.

4. In *December*, each academic unit would submit a formal income and expense budget for the ensuing year that meets the target ratio, with adequate detail on the use of central services now included in the school budgets.

5. In *January*, the Budget Director would specify parameters to the heads

Table 8

TARGETS FOR CENTRALLY BUDGETED SERVICES:
CHANGE IN EXPENDITURE BETWEEN 1971-72 AND 1974-75
(In thousands of dollars)

Type of Service	Change in Expenditure
Libraries	+900
Operation and Maintenance of Plant	--
Savings in Rent Payments[a]	-800
Student Services	-935
Computer Centers	-500[b]
Development and Public Relations Activities	-1,250[c]
Elimination of Deficits for Specified Auxiliary Activities[d]	-160
Other Central Services and Central Administration (including savings reflected in the 1972-73 budget)	-475
TOTAL	-3,220

[a] Reductions in rental of non-University space for University functions and freeing of space in University-owned real estate investment properties for rental purposes, by moving University activities into academic and related buildings.

[b] This is a minimum figure; see text. To the extent that further savings are effected by the participation of the Courant Institute in consolidation of computer centers, such savings should be recorded as a credit to the Arts and Science budget.

[c] This represents net savings, with credit for additional gifts; see text on Development and Public Relations activities.

[d] Excludes Town Hall, discussed in connection with the School of Continuing Education.

of administrative divisions, get budget submissions from them, and reconcile these to the budgets of the academic divisions.

6. Between *February 1* and *February 15*, the proposed budgets of the academic units would be revised in the light of the new income estimates for the current year made possible by second term enrollment data; the revisions would include adjustments to take account of short-falls in the current year's fiscal outcome for that unit, if any (see below). The revised budgets would be approved by the Chancellor by *February 15*, opening the way for the first authorized offers of academic appointments (see below).

7. In *March*, the Trustees would be asked to approve the University budget.

C. New controls on budget execution:

1. We propose a two-year rolling adjustment system, in which failure to meet income targets in year 1 requires a reduction in the budget for year 2: in effect, the short-fall in any one unit is a repayable loan from the Chancellor's office. For units undergoing a long-run decline, this will be a difficult rule to live with, but it has the advantage of forcing early action on the future of units in that unfortunate situation.

2. We propose that no firm offers of academic appointment — by department chairmen or anyone else — be permitted before February 15. The University cannot continue to live with a system under which academic officers can unilaterally determine their own budgets by making offers of appointment prior to the formal setting of budgets.

3. In the event that a unit simply fails to meet the requirements of this budgetary system, the Chancellor's office should be prepared to send out non-reappointment notices by March 1, for all first-year faculty appointees, and by May 1, for *all* nontenured faculty, in that academic unit, on grounds of financial exigency. Moreover, a salary freeze should be imposed on that academic unit. In return, the faculty members in that unit should be afforded a formal means for voting their continued confidence, or lack thereof, in the responsible budget officer, dean or department chairman. Presumably, the ultimate deterrent that this set of rules amounts to would not have to be deployed more than one time before strict adherence to the budget system became the universal practice.

Guidelines for Reducing the Size of Faculty

The Task Force recommendations for restructuring of the University's divisions and for achieving the prescribed budgetary results will require substantial shrinkage in faculty numbers in some parts of the University. We have given considerable thought to this difficult process.

In recent months, the AAUP and the Association of American Colleges have published a set of "operating guidelines" on institutional problems resulting from financial exigency. The AAUP statement appears in *Academe*, Vol. 6, No. 1 (January 1972), p. 2. Our recommendations in this section represent an application of those guidelines to the specific circumstances of this University.

The initial AAUP-AAC "operating guidelines" call for "early, careful, and meaningful faculty involvement" in decisions on program reduction. Such involvement is provided at several stages. First, the Task Force itself has had extensive oral and written consultation with faculty groups in those schools whose continuance is most in doubt because of financial exigency. Second, there is faculty representation on the University Committee on the Financial Emergency, established to react to the Task Force proposals. Th[illegible], proposals for restructuring the academ[illegible] units will be discussed in the University Senate. Fourth, specific proposals for changes in faculty personnel practices will be discussed by the Faculty Council. Fifth, individual faculties will be involved in discussions of restructuring within a school and in staff reductions growing out of restructuring proposals. In each school, the governance body should form a faculty committee to work with the dean in accomplishing the restructuring and staff reduction.

The remainder of the "operating guidelines" refer to the rights of tenured faculty members, early retirement, notice provisions and changes from full-time to part-time service. We propose the following processes, as applications of these guidelines.

1. The first stage in faculty reduction involved the discontinuance of whole units or programs. Clearly, in these cases, the services of both tenured and nontenured faculty members must be terminated, with as much notice as possible.

2. Within the surviving academic units, strict controls on new hiring must be maintained, so that as much of the necessary faculty reduction as possible occurs through attrition. Realistically, we do not expect that attrition can do a large part of the necessary job, if only because the controls on new hiring during the past two years have already resulted in a good deal of attrition.

3. The mandatory retirement age for faculty should be reduced from 68 to 65, effective September 1, 1972. That is, faculty members who have reached or will reach their 65th birthdays prior to September 1, 1973, would retire at the end of 1972-73, those who reach 65 between September 1, 1973, and August 31, 1974, would retire at the end of 1973-74, and so on. If this recommendation is implemented, approximately 60 full-time faculty members would retire at the end of 1972-73.

4. In addition, voluntary early retirements of faculty members between ages 62 and 65 should be actively encouraged. To this end, we suggest that financial incentives be offered, along the following lines. The University would agree to make, on behalf of the professor who is retiring, the full 15 percent annual contribution to TIAA-CREF (calculated on the basis of salary at retirement) for each year of early retirement (i.e., for three years for a professor retiring at age 62) plus an amount equal to the rate of return that would have been earned on these contributions had the professor not retired until age 65. In addition, the University would make a single supplementary contribution to TIAA-CREF equal to 50 percent of salary for those retiring at age 62, 35 percent for those retiring at age 63 and 20 percent for those retiring at age 64. In total, the University would be making a settlement equal to slightly over one year's salary if retirement is at 62, slightly under 70 percent of one year's salary at 63 and just over 35 percent at 64. At the retiree's option, this amount could be paid to him in cash, but the tax laws are such that, for most professors, this would not be an attractive option.

5. Beyond these steps, we believe that faculty reductions must be discriminate ones. That is, we reject the idea that, within any unit, *all* nontenured faculty members should be terminated before *any* tenured faculty member is terminated or that, among the tenured faculty members, the rule should be last in — first out. Both the AAUP and the AAC statements call for preferential treatment of tenured

7. In *March*, the Trustees would be asked to approve the University budget.

C. New controls on budget execution:

1. We propose a two-year rolling adjustment system, in which failure to meet income targets in year 1 requires a reduction in the budget for year 2: in effect, the short-fall in any one unit is a repayable loan from the Chancellor's office. For units undergoing a long-run decline, this will be a difficult rule to live with, but it has the advantage of forcing early action on the future of units in that unfortunate situation.

2. We propose that no firm offers of academic appointment — by department chairmen or anyone else — be permitted before February 15. The University cannot continue to live with a system under which academic officers can unilaterally determine their own budgets by making offers of appointment prior to the formal setting of budgets.

3. In the event that a unit simply fails to meet the requirements of this budgetary system, the Chancellor's office should be prepared to send out non-reappointment notices by March 1, for all first-year faculty appointees, and by May 1, for *all* nontenured faculty, in that academic unit, on grounds of financial exigency. Moreover, a salary freeze should be imposed on that academic unit. In return, the faculty members in that unit should be afforded a formal means for voting their continued confidence, or lack thereof, in the responsible budget officer, dean or department chairman. Presumably, the ultimate deterrent that this set of rules amounts to would not have to be deployed more than one time before strict adherence to the budget system became the universal practice.

this section represent an application of those guidelines to the specific circumstances of this University.

The initial AAUP-AAC "operating guidelines" call for "early, careful, and meaningful faculty involvement" in decisions on program reduction. Such involvement is provided at several stages. First, the Task Force itself has had extensive oral and written consultation with faculty groups in those schools whose continuance is most in doubt because of financial exigency. Second, there is faculty representation on the University Committee on the Financial Emergency, established to react to the Task Force proposals. Th[illegible], proposals for restructuring the academ units will be discussed in the University .enate. Fourth, specific proposals for changes in faculty personnel practices will be discussed by the Faculty Council. Fifth, individual faculties will be involved in discussions of restructuring within a school and in staff reductions growing out of restructuring proposals. In each school, the governance body should form a faculty committee to work with the dean in accomplishing the restructuring and staff reduction.

The remainder of the "operating guidelines" refer to the rights of tenured faculty members, early retirement, notice provisions and changes from full-time to part-time service. We propose the following processes, as applications of these guidelines.

1. The first stage in faculty reduction involved the discontinuance of whole units or programs. Clearly, in these cases, the services of both tenured and nontenured faculty members must be terminated, with as much notice as possible.

2. Within the surviving academic units, [illegible] would retire at the end of 1973-74, and so on. If this recommendation is implemented, approximately 60 full-time faculty members would retire at the end of 1972-73.

4. In addition, voluntary early retirements of faculty members between ages 62 and 65 should be actively encouraged. To this end, we suggest that financial incentives be offered, along the following lines. The University would agree to make, on behalf of the professor who is retiring, the full 15 percent annual contribution to TIAA-CREF (calculated on the basis of salary at retirement) for each year of early retirement (i.e., for three years for a professor retiring at age 62) plus an amount equal to the rate of return that would have been earned on these contributions had the professor not retired until age 65. In addition, the University would make a single supplementary contribution to TIAA-CREF equal to 50 percent of salary for those retiring at age 62, 35 percent for those retiring at age 63 and 20 percent for those retiring at age 64. In total, the University would be making a settlement equal to slightly over one year's salary if retirement is at 62, slightly under 70 percent of one year's salary at 63 and just over 35 percent at 64. At the retiree's option, this amount could be paid to him in cash, but the tax laws are such that, for most professors, this would not be an attractive option.

5. Beyond these steps, we believe that faculty reductions must be discriminate ones. That is, we reject the idea that, within any unit, *all* nontenured faculty members should be terminated before *any* tenured faculty member is terminated or that, among the tenured faculty members, the rule should be last in — first out. Both the AAUP and the AAC statements call for preferential treatment of tenured

Guidelines for Reducing the Size of Faculty

The Task Force recommendations for restructuring of the University's divisions and for achieving the prescribed budgetary results will require substantial shrinkage in faculty numbers in some parts of the University. We have given considerable thought to this difficult process.

In recent months, the AAUP and the Association of American Colleges have published a set of "operating guidelines" on institutional problems resulting from financial exigency. The AAUP statement appears in *Academe*, Vol. 6, No. 1 (January 1972), p. 2. Our recommendations in this section represent an application of those guidelines to the specific circumstances of this University.

The initial AAUP-AAC "operating guidelines" call for "early, careful, and meaningful faculty involvement" in decisions on program reduction. Such involvement is provided at several stages. First, the Task Force itself has had extensive oral and written consultation with faculty groups in those schools whose continuance is most in doubt because of financial exigency. Second, there is faculty representation on the University Committee on the Financial Emergency, established to react to the Task Force proposals. Th[illegible], proposals for restructuring the academ[illegible] units will be discussed in the University [illegible]enate. Fourth, specific proposals for changes in faculty personnel practices will be discussed by the Faculty Council. Fifth, individual faculties will be involved in discussions of restructuring within a school and in staff reductions growing out of restructuring proposals. In each school, the governance body should form a faculty committee to work with the dean in accomplishing the restructuring and staff reduction.

The remainder of the "operating guidelines" refer to the rights of tenured faculty members, early retirement, notice provisions and changes from full-time to part-time service. We propose the following processes, as applications of these guidelines.

1. The first stage in faculty reduction involved the discontinuance of whole units or programs. Clearly, in these cases, the services of both tenured and nontenured faculty members must be terminated, with as much notice as possible.

2. Within the surviving academic units, strict controls on new hiring must be maintained, so that as much of the necessary faculty reduction as possible occurs through attrition. Realistically, we do not expect that attrition can do a large part of the necessary job, if only because the controls on new hiring during the past two years have already resulted in a good deal of attrition.

3. The mandatory retirement age for faculty should be reduced from 68 to 65, effective September 1, 1972. That is, faculty members who have reached or will reach their 65th birthdays prior to September 1, 1973, would retire at the end of 1972-73, those who reach 65 between September 1, 1973, and August 31, 1974, would retire at the end of 1973-74, and so on. If this recommendation is implemented, approximately 60 full-time faculty members would retire at the end of 1972-73.

4. In addition, voluntary early retirements of faculty members between ages 62 and 65 should be actively encouraged. To this end, we suggest that financial incentives be offered, along the following lines. The University would agree to make, on behalf of the professor who is retiring, the full 15 percent annual contribution to TIAA-CREF (calculated on the basis of salary at retirement) for each year of early retirement (i.e., for three years for a professor retiring at age 62) plus an amount equal to the rate of return that would have been earned on these contributions had the professor not retired until age 65. In addition, the University would make a single supplementary contribution to TIAA-CREF equal to 50 percent of salary for those retiring at age 62, 35 percent for those retiring at age 63 and 20 percent for those retiring at age 64. In total, the University would be making a settlement equal to slightly over one year's salary if retirement is at 62, slightly under 70 percent of one year's salary at 63 and just over 35 percent at 64. At the retiree's option, this amount could be paid to him in cash, but the tax laws are such that, for most professors, this would not be an attractive option.

5. Beyond these steps, we believe that faculty reductions must be discriminate ones. That is, we reject the idea that, within any unit, *all* nontenured faculty members should be terminated before *any* tenured faculty member is terminated or that, among the tenured faculty members, the rule should be last in — first out. Both the AAUP and the AAC statements call for preferential treatment of tenured members of a faculty. But the AAC statement goes on to say:

> Preferential retention of tenured faculty should not, however, leave a reduced academic unit in the highly undesirable situation of lacking any probationary faculty. In some cases, tenured and probationary faculty may both have to be reduced.

We believe that the last sentence above must apply to some of the units in this University. The instructional needs of the units and their continued ability to attract students and research support require discriminate faculty reductions. Our hopes and expectations are that, in reducing programs, the units will do so by changing and refocusing them, emphasizing areas of strength and exploiting possibilities for innovation; these hopes and expectation cannot be realized if younger faculty members are in all cases the first — and only ones — to go. Therefore, we urge that the academic units whose substantial contraction is necessary establish internal machinery and procedures for making discriminate faculty reductions, to the extent that attrition, reduction in the mandatory retirement age and voluntary early retirement arrangements do not suffice to meet the budgetary targets the unit must achieve.

VI. CONCLUSION

The watchword for our peroration is "immediacy." The financial emergency is real and immediate. We must immediately reduce our scale of operations and revise our administrative and educational arrangements very substantially so that we have an institution that is well attuned to the demand for our educational services that we confront. No less immediately, we must launch the educational innovations and new directions that tap new sources of demand and satisfy educational needs that this University can meet. What we cannot do is to operate as we have been doing on the basis of hopes or assertion that salvation is "just around the corner." What *is* just around the corner is insolvency, unless our immediate actions are sufficiently sweeping, resolute and imaginative. The Task Force believes that the University community — faculty, students and staff — is realistic enough, and capable enough, to grasp the opportunity for a fresh start in a reorganized University.

those guidelines to the specific circumstances of this University.

The initial AAUP-AAC "operating guidelines" call for "early, careful, and meaningful faculty involvement" in decisions on program reduction. Such involvement is provided at several stages. First, the Task Force itself has had extensive oral and written consultation with faculty groups in those schools whose continuance is most in doubt because of financial exigency. Second, there is faculty representation on the University Committee on the Financial Emergency, established to react to the Task Force proposals. Th[illegible], proposals for restructuring the academ units will be discussed in the University Senate. Fourth, specific proposals for changes in faculty personnel practices will be discussed by the Faculty Council. Fifth, individual faculties will be involved in discussions of restructuring within a school and in staff reductions growing out of restructuring proposals. In each school, the governance body should form a faculty committee to work with the dean in accomplishing the restructuring and staff reduction.

The remainder of the "operating guidelines" refer to the rights of tenured faculty members, early retirement, notice provisions and changes from full-time to part-time service. We propose the following processes, as applications of these guidelines.

1. The first stage in faculty reduction involved the discontinuance of whole units or programs. Clearly, in these cases, the services of both tenured and nontenured faculty members must be terminated, with as much notice as possible.

2. Within the surviving academic units, would retire at the end of 1973-74, and so on. If this recommendation is implemented, approximately 60 full-time faculty members would retire at the end of 1972-73.

4. In addition, voluntary early retirements of faculty members between ages 62 and 65 should be actively encouraged. To this end, we suggest that financial incentives be offered, along the following lines. The University would agree to make, on behalf of the professor who is retiring, the full 15 percent annual contribution to TIAA-CREF (calculated on the basis of salary at retirement) for each year of early retirement (i.e., for three years for a professor retiring at age 62) plus an amount equal to the rate of return that would have been earned on these contributions had the professor not retired until age 65. In addition, the University would make a single supplementary contribution to TIAA-CREF equal to 50 percent of salary for those retiring at age 62, 35 percent for those retiring at age 63 and 20 percent for those retiring at age 64. In total, the University would be making a settlement equal to slightly over one year's salary if retirement is at 62, slightly under 70 percent of one year's salary at 63 and just over 35 percent at 64. At the retiree's option, this amount could be paid to him in cash, but the tax laws are such that, for most professors, this would not be an attractive option.

5. Beyond these steps, we believe that faculty reductions must be discriminate ones. That is, we reject the idea that, within any unit, *all* nontenured faculty members should be terminated before *any* tenured faculty member is terminated or that, among the tenured faculty members, the rule should be last in — first out. Both the AAUP and the AAC statements call for preferential treatment of tenured

ducing programs, the units will do so by changing and refocusing them, emphasizing areas of strength and exploiting possibilities for innovation; these hopes and expectation cannot be realized if younger faculty members are in all cases the first — and only ones — to go. Therefore, we urge that the academic units whose substantial contraction is necessary establish internal machinery and procedures for making discriminate faculty reductions, to the extent that attrition, reduction in the mandatory retirement age and voluntary early retirement arrangements do not suffice to meet the budgetary targets the unit must achieve.

VI. CONCLUSION

The watchword for our peroration is "immediacy." The financial emergency is real and immediate. We must immediately reduce our scale of operations and revise our administrative and educational arrangements very substantially so that we have an institution that is well attuned to the demand for our educational services that we confront. No less immediately, we must launch the educational innovations and new directions that tap new sources of demand and satisfy educational needs that this University can meet. What we cannot do is to operate as we have been doing on the basis of hopes or assertion that salvation is "just around the corner." What *is* just around the corner is insolvency, unless our immediate actions are sufficiently sweeping, resolute and imaginative. The Task Force believes that the University community — faculty, students and staff — is realistic enough, and capable enough, to grasp the opportunity for a fresh start in a reorganized University.